

# Resources Board

## Agenda

Friday, 17 July 2015  
11.00 am

Smith Square 3&4, Ground Floor, Local  
Government House, Smith Square, London,  
SW1P 3HZ

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Resources Board  
17 July 2015

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There will be a meeting of the Resources Board at **11.00 am on Friday, 17 July 2015** Smith Square 3&4, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ.

A sandwich lunch will be available at 1.00pm for those members that have requested lunch.

**Attendance Sheet:**

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

**Political Group meetings:**

The group meetings will take place in advance of the meeting. Please contact your political group as outlined below for further details.

**Apologies:**

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

<b>Labour:</b>	Group Office: 020 7664 3334	email: <a href="mailto:Labour.GroupLGA@local.gov.uk">Labour.GroupLGA@local.gov.uk</a>
<b>Conservative:</b>	Group Office: 020 7664 3223	email: <a href="mailto:lgaconservatives@local.gov.uk">lgaconservatives@local.gov.uk</a>
<b>Liberal Democrat:</b>	Group Office: 020 7664 3235	email: <a href="mailto:libdem@local.gov.uk">libdem@local.gov.uk</a>
<b>Independent:</b>	Group Office: 020 7664 3224	email: <a href="mailto:independent.group@local.gov.uk">independent.group@local.gov.uk</a>

**Location:**

A map showing the location of Local Government House is printed on the back cover.

**LGA Contact:**

Frances Marshall  
0207 664 3220 / [frances.marshall@local.gov.uk](mailto:frances.marshall@local.gov.uk)

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## Resources Board – Membership 2014/2015

Councillor	Authority
<b>Labour ( 7 )</b>	
Cllr Claire Kober OBE (Chair)	Haringey Council
Cllr Sue Murphy	Manchester City Council
Cllr Aaron Shotton	Flintshire County Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Chris Shaw	North East Lincolnshire Council
Cllr Sian Timoney	Luton Borough Council
Cllr Tom Beattie	Corby Borough Council
<b>Substitutes</b>	
Cllr Norman Keats	Knowsley Metropolitan Borough Council
Cllr Michael Mordey	Sunderland City Council
<b>Conservative ( 7 )</b>	
Cllr Roger Phillips (Vice-Chair)	Herefordshire Council
Cllr James Jamieson	Central Bedfordshire Council
Cllr John Osman	Somerset County Council
Cllr Nigel Ashton	North Somerset Council
Cllr Melvyn Caplan	Westminster City Council
Cllr Adrian Hardman	Worcestershire County Council
Cllr John Fuller	South Norfolk District Council
<b>Substitutes</b>	
Cllr Rodney Rose	Oxfordshire County Council
Cllr Rory Love	Shepway District Council
Cllr Robert Saunders	East Hampshire District Council
<b>Liberal Democrat ( 2 )</b>	
Cllr Claire Hudson (Deputy Chair)	Mendip District Council
Vacancy	
<b>Substitutes</b>	
Cllr Simon Shaw	Sefton Metropolitan Borough Council
<b>Independent ( 2 )</b>	
Cllr Clarence Barrett (Deputy Chair)	Havering London Borough Council
Cllr Linda van den Hende	Havering London Borough Council
<b>Substitutes</b>	
Cllr Bob Dutton OBE	Wrexham County Borough Council
Cllr Adrian Naylor	Bradford Metropolitan District Council

<b>Non-Voting 3</b>	
Cllr Harvey Siggs (Non-voting Member)	National Association of Regional Employers
Cllr Denny Vitty (Non-voting Member)	Northern Ireland Local Government Association (NILGA)
Cllr David Phillips (Non-voting Member)	Welsh Local Government Assoc. (WLGA)

## Resources Board – Attendance 2014/2015

<b>Councillors</b>	<b>17/10/14</b>	<b>07/01/15</b>	<b>27/03/15</b>
<b>Labour Group</b>			
Claire Kober	Yes	Yes	Yes
Sue Murphy	Yes	No	No
Aaron Shotton	Yes	Yes	No
Sharon Taylor	No	Yes	No
Chris Shaw	Yes	No	No
Sian Timoney	No	Yes	Yes
Tom Beattie	Yes	Yes	Yes
<b>Conservative Group</b>			
Roger Phillips	Yes	Yes	Yes
James Jamieson	Yes	Yes	Yes
John Osman	Yes	Yes	Yes
Nigel Ashton	Yes	Yes	No
Melvyn Caplan	Yes	Yes	Yes
Adrian Hardman	Yes	Yes	Yes
John Fuller	Yes	Yes	Yes
<b>Lib Dem Group</b>			
Claire Hudson	Yes	No	Yes
Barbara Janke	Yes	Yes	No
<b>Independent</b>			
Clarence Barrett	Yes	Yes	Yes
Linda van den Hende	Yes	Yes	Yes
<b>Non-voting</b>			
Harvey Siggs	Yes	Yes	No
Denny Vitty	No	No	No
David Phillips	N/a	Yes	Yes
<b>Substitutes</b>			
Norman Keats	Yes	Yes	
Michael Mordey	Yes		
Jo Churchill	Yes		

## Agenda

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### Resources Board

Friday 17 July 2015

11.00 am

Smith Square 3&4, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

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Item	
<b>1.</b>	<b>Declarations of Interest</b>
FOR DISCUSSION	
<b>2.</b>	<b>Resources Board End of Year Review and Stocktake</b> 1 - 10
<b>3.</b>	<b>Local Government Finance: LGA Lines (Continued) (Confidential)</b> 11 - 26
<b>4.</b>	<b>Universal Credit: Housing Design and Colocation (Confidential)</b> 27 - 30
<b>5.</b>	<b>Meeting the Skills Needs of Local Government</b> 31 - 76
<b>6.</b>	<b>Workforce Team Update</b> 77 - 84
FOR INFORMATION	
<b>7.</b>	<b>Local Government Finance and EU Funding Update</b> 85 - 90 A report on the 8 July Budget will be circulated on a supplemental agenda as part of this item.
<b>8.</b>	<b>Adult Social Care Next Steps: 'Creating a Better Care System'</b> 91 - 132
<b>9.</b>	<b>Minutes of the previous meeting held on 27 March (confidential)</b> 133 - 141  <b>There will be a fiscal devolution seminar in the Westminster Suite at 1.30pm which all Member are invited to attend.</b>





## **Resources Board End of Year Review and Stocktake**

### **Purpose of report**

For information and discussion.

### **Summary**

As part of the LGA's corporate governance arrangements, all Boards are required to reflect upon the preceding twelve months in terms of what has been achieved, progress against plan, what went well and lessons learnt.

This report provides an overview of the issues and work the Resources Board has overseen during last year, set against the priorities it agreed at the start of the meeting cycle in September 2014.

It also provides a stocktake of work to-date and provides some suggested areas of focus for the next 12 months. Members' views are sought to inform the development of the Board's work programme for the 2015/16 meeting cycle.

### **Recommendations**

That the Resources Board:

- i. reviews its work and achievements over the past year and consider lessons learned and any improvements it would wish to make; and
- ii. provides a steer regarding the priorities for the Board's 2015/16 programme of work.

### **Action**

Officer to progress as directed by members.

**Contact officer:** Stephen Hughes  
**Position:** Interim Deputy Chief Executive  
**Phone no:** 07717 720619  
**E-mail:** [stephen.hughes@local.gov.uk](mailto:stephen.hughes@local.gov.uk)

## **Resources Board End of Year Review and Stocktake**

### **Background**

1. The Resource Board was formed in 2014 by combining the remits of the former Workforce Board, Finance Panel and the finance elements of the European & International Board.
2. The Resources Board provides strategic oversight of the LGA's policy, regulatory and improvement activity in relation to: Local Government Finance; Welfare Reform; European Structural Investment Funding and Workforce issues.

### **2014/15 Meeting Cycle**

3. At its first meeting on 17 October, the Board agreed its priorities for the year, which were structured into 5 areas, each with a elected member lead as follows:
  - 3.1. Local Government Finance Cllr Claire Kober
  - 3.2. Workforce Cllr Roger Phillips
  - 3.3. Welfare Reform Cllr Claire Hudson
  - 3.4. Municipal Bonds Agency Cllr Clarence Barrett
  - 3.5. EU Funding Cllr Sue Murphy
4. The Board's work programme is set out below, with progress made during the 2014/15 meeting cycle set against each work area.
5. Members are invited to reviews the Board's work and achievements over the past year, consider lessons learned and suggested improvements. Additionally, the Board's views are sought on suggested areas of focus for the next 12 months to inform the Board's 2015/16 work programme.
6. In considering the focus for the local government finance and welfare reform work streams for 2015/16, Members may wish to refer to the Work Plan Priorities report that the Board agreed at its most recent March meeting. This report provides a more detailed overview of future priorities for the year ahead for these two areas. The report is available here:  
<http://lga.moderngov.co.uk/ieListDocuments.aspx?CId=251&MId=440&Ver=4>.

**WORK STREAM: WORKFORCE**

2014/15 Priorities		2014/15 Achievements	2015/16 Milestones
Pay negotiations	Primary responsibility for negotiations lies with the various employers' sides but the Board will receive updates on all negotiating groups and provide comments and. The key challenges are to ensure the relevance of national bargaining and to help in developing modern, flexible terms of employment.	<ul style="list-style-type: none"> <li>Successfully concluded pay agreement running to April 2016.</li> </ul>	<ul style="list-style-type: none"> <li>About to commence consultation and discussion on pay beyond April 2016 and develop a fresh set of priorities for the National Joint Council.</li> </ul>
Pensions	Reform of the pension system is continuing and the Board will receive regular updates and be invited to discuss development.	<ul style="list-style-type: none"> <li>Implemented new Local Government Pension Scheme benefit and governance structure.</li> </ul>	<ul style="list-style-type: none"> <li>Assisting authorities with the financial and resource implications of the ending of pension schemes contracting out as a result of the new state pension.</li> </ul>
Strategic pay issues	Local Government has challenges around the low paid, effective recruitment of key professionals and probity in senior pay all of which will be the subject of Board discussion.	<ul style="list-style-type: none"> <li>Continued to monitor adoption of the Living Wage within the sector and issued guidance to councils on it.</li> </ul>	<ul style="list-style-type: none"> <li>Working with research team to carry out data gather on senior management pay within the sector.</li> <li>Continue to gather intelligence on the Living Wage.</li> <li>Work with CLG to ensure that proposals to claw back public sector exit payments develop in a fair way with minimal bureaucracy.</li> </ul>
Social work career development	Support the work of the task-and-finish group looking at improving the recruitment and retention of social workers.	<ul style="list-style-type: none"> <li>Published a well-received guide for members on social work recruitment and retention.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop a campaign around social work recruitment and retention.</li> </ul>
Workforce dimensions of public service reform	The reorganisation and integration of many services, especially in health and social care brings many workforce challenges over fairness in terms and conditions for example and the workforce team continues to focus on these.	<ul style="list-style-type: none"> <li>Delivered six Decision Making and Accountability (DMA) reviews for councils and identified £2m worth of savings.</li> <li>Delivered a well-received series of pilot talent management programmes for Public Health in partnership with Public Health England.</li> <li>Research completed into the</li> </ul>	<ul style="list-style-type: none"> <li>Working with policy team to deliver a better coordinated national offer on the adult social care workforce in partnership with ADASS and Skills for Care.</li> <li>Research into the HR &amp; OD implications of delivering local government services</li> </ul>

		<p>HR &amp; OD implications of delivering local government services through new organisational models, leading up to a well-received national conference.</p> <ul style="list-style-type: none"> <li>Delivered consultancy services and maximising income opportunities with income exceeding £600k.</li> </ul>	<p>through next generation shared services.</p> <ul style="list-style-type: none"> <li>Running a pilot programme for 6 councils on Innovative flexible working practices with Timewise.</li> </ul>
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### LOCAL GOVERNMENT FINANCE

Priority		2014/15 Achievements	2015/16
A fair settlement for local government	The LGA will produce submissions, and seek to influence, the 2014 Autumn, the Chancellor's Budget, and the first Spending Review of the next Government (2015).	<ul style="list-style-type: none"> <li>Produced and promoted the LGA's corporate submissions to the 2014 Autumn Statement, the 2015/16 Local Government Finance Settlement and the March 2015 Budget.</li> <li>Launched and continue to promote the LGA's 'Future Funding' campaign which builds a case for local government funding in advance of the Spending Review and beyond.</li> <li>Continue to engage with member councils in policy development and information sharing through stakeholder groups.</li> <li>Held the annual local government finance conference in January 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Continue work on the Spending Review. To highlight the positions set out in 'A Shared Commitment: Local Government and the Spending Review' which will be used as a basis for further conversations with government and stakeholders in the run-up to the announcements in the autumn. This will be followed by further work on the Autumn Statement and the LGFS in late 2015.</li> </ul>
	The LGA will respond to the 2015/16 Local Government Finance Settlement and publicise the impact on authorities.		
	The Future Funding Outlook model will be refreshed for 2015 to: reflect Government announcements and changing economic conditions; set out the true impact of on-going austerity and growth pressure on local government; and aid councils' financial planning		
First 100 Days document as they relate to local government finance	Supporting place-based finance as the "default delivery mechanism" by providing analysis and insight on the potential financial benefits, and outlining how the money flows would work in practice.	<ul style="list-style-type: none"> <li>Launched 'A Shared Commitment: Local Government and Spending Review' which is the LGA's position statement in advance of the Spending Review and includes finance-related asks many of which were part of the '100 days' report.</li> <li>As part of the 2015/16 settlement, secured simultaneous publication of local service budgets (eg. CCGs). The government also committed to exploring</li> </ul>	
	Providing financial analysis to support the LGA's call for further devolution.		
	Support for improved financial distribution arrangements, replacing		

	<p>financial distribution by Ministers with an independent distribution body.</p> <p>Developing methodology for new budget arrangements linking to the life of the Parliament.</p> <p>Other <i>First 100 Days</i> activities that emerge following national and local debate.</p>	<p>long-term settlements for health and local government services.</p>	
Independent local taxation	<p>Updating our reviews of Business Rates Retention and Council Tax Support for the second year, identifying and lobbying on areas where the system should be improved.</p>	<ul style="list-style-type: none"> <li>• Published 'Council tax support: the story continues' and 'Business rate retention: the story continues', which examined how implementation of these April 2013 reforms develops and what can be done to make sure that they continue in a sustainable and predictable way.</li> <li>• Responded to the government's consultations on business rate reform, arguing for changes to the tax system which would make it more predictable and locally administered.</li> </ul>	<ul style="list-style-type: none"> <li>• Business rate review. Government is expected to announce its proposals by Budget 2016 and work will continue to get the best deal for local government which would put the finance system on a more sustainable and predictable basis.</li> </ul>
Sustainable funding for service delivery and investment	<p>Ensure that on-going reviews of adult social care funding and education funding reflect the LGA's values and agenda; continuing to lobby for new burdens funding for welfare reform, the Care Bill and other significant issues increasing costs to local authorities; whilst also recognising and helping to manage the increased financial risk to local authorities from such reforms.</p>	<ul style="list-style-type: none"> <li>• Together with the CWB Board participated in discussions with government on sustainable implementation of Phase 1 of the Care Act, with on-going conversations in relation to Phase 2, integration with health and the Spending Review set to continue further.</li> <li>• Continued discussions with DWP over the roll out of the Single Fraud Investigation Service and the associated assessed New Burdens payment to councils.</li> <li>• Commenced discussions over financial costs to councils of the roll out of Universal Credit.</li> </ul>	<ul style="list-style-type: none"> <li>• Social care funding and integration with health. This continues to be an important policy area, with Resources and CWB elements and will require continued cross-Board working in the next political cycle.</li> </ul>
The Independent Commission	<p>Continue to provide secretarial and administrative support to</p>	<ul style="list-style-type: none"> <li>• Provided support to the ICLGF, which published its final report in February</li> </ul>	

for Local Government Finance (ICLGF)	the Independent Commission for Local Government Finance.	2015. Many recommendations of the report have been taken forward as part of 'A Shared Commitment' while others are being analysed – for example the proposals due to be presented in the seminar following the meeting of the Board.	
Municipal Bonds Agency (MBA)	The Board will be provided with periodic updates on progress with establishing the MBA.	<ul style="list-style-type: none"> <li>The MBA was successfully launched and become an independent entity: Local Capital Finance Company.</li> </ul>	<ul style="list-style-type: none"> <li>NA – Local Capital Finance Company is now an independent entity.</li> </ul>

### WORK STREAM: EU FUNDING

2014/15 Priorities		2014/15 Achievements	2015/16 Milestones
EU Structural Funds for 2014-20	<p>England's £5.3 billion European Structural and Investment Fund (ESIF) programme for 2014-2020 is set to be major source of local regeneration funding to stimulate growth and employment in our towns and cities over the next seven years.</p> <p>The LGA will be at the forefront of efforts to ensure arrangements are designed and agreed in a way that delivers Ministers' commitment to devolve and allow local areas to have real influence over spending decisions.</p>	<ul style="list-style-type: none"> <li>Successful LGA lobbying initially committed Government to much greater levels of local control and decision-making for local partners.</li> <li>The LGA pushed as far as it could in making the case for allowing local areas to have real influence over spending decisions; however central Government's decision in February 2015 to limit local partners' role to 'advisory' and place funding decisions in the hands of Whitehall officials has undermined local confidence in the programme.</li> <li>LGA members have led efforts to scrutinise Ministers' decisions on the National Growth Board, worked with sector to continually put forward solutions to Whitehall obstacles, forged alliances with LEPs and others to speak with one voice.</li> <li>Influenced outcome of ESF programme by ensuring local government priorities including in fundable</li> </ul>	<ul style="list-style-type: none"> <li>It is anticipated that as part of the July Budget, some areas will be awarded freedoms and flexibility to manage EU programmes as part of wider devolution deals.</li> <li>With the programme going fully operations in summer 2015, the LGA will maintain pressure on central government to ensure that the powers and freedoms granted to the selected English local areas are given to all other areas that wish to have them.</li> <li>Ensure strong local government representation at future European Programme Management Committee (PMC) meetings and relevant policy and operational delivery Sub-committees during operational phase of EU Structural Funds and during the review of governance arrangements.<sup>1</sup></li> </ul>

<sup>1</sup> The Government have agreed to review the position on the governance model in the next twelve months and has agreed to work with local partners during this time to develop proposals for greater local responsibility.

		<p>interventions.</p> <ul style="list-style-type: none"> <li>Kept LGA lines firm, with and public correspondence and press receiving significant media attention.</li> <li>Commissioned research on effectiveness of model for economic development.</li> <li>Launched the “2014 – 2020: A guide to EU funding for councils” publication in July.</li> </ul>	
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**WORK STREAM: WELFARE REFORM**

2014/15 Priorities		2014/15 Achievements	2015/16 Milestones
Welfare Reform and Universal Credit (UC)	Ensure that councils have a central role in the design, delivery and implementation of Universal Credit.	<ul style="list-style-type: none"> <li>Secured opportunity to directly impact on the UC programme via place on Business Design Authority and Programme Board. This has involved helping to shape key documents such as TOM, national rollout preparation.</li> <li>Delivered the trials programme which has now been further extended to enable councils to directly impact on UC design.</li> <li>Worked with councils and DWP to deliver national rollout of UC.</li> <li>Published reports on the Universal Credit local authority pilots.</li> <li>Held a national conference on UC attended by the Minister for Welfare Reform (December 2014).</li> </ul>	<ul style="list-style-type: none"> <li>Clarify funding for delivery of USdI.</li> <li>Develop vision for what benefits services look like in the future.</li> </ul>
	Press for councils to have a central role in the commissioning and delivery of support for skills, work readiness and employment to ensure that Universal Credit can deliver on its stated aim of improving work incentives and employment outcomes.	<ul style="list-style-type: none"> <li>Successfully delivered series of ESF UC pilots with councils which have delivered real examples of councils getting harder to reach groups back into work.</li> <li>Published guidance on UC and the European Social Fund March 2015.</li> <li>Developed a wide ranging offer for the incoming Government on how it can design more effective, locally commissioned employment and skills</li> </ul>	<ul style="list-style-type: none"> <li>Reform of Work Programme / Work Choice to more closely reflect local needs.</li> <li>Develop a follow on from <i>Realising Talent</i> to model a devolved employment support programme for people who face multiple barriers to employment.</li> <li>Work with DWP and One Public Estates team to deliver further co-location and integration of Jobcentre</li> </ul>

	<ul style="list-style-type: none"> <li>provision.</li> <li>Worked with leading think tank and advisory group of councils to produce a series of 3 reports called 'Realising Talent' including: <i>Employment and skills for the future; Realising Talent for Everyone; and A new framework for devolved employment and skills.</i> The report recommendations have traction with Ministers, with discussion still ongoing.</li> <li>Working with ERSA, employment provider network, to develop and align thinking on how to ensure more effective relationships between providers &amp; councils locally.</li> </ul>	and council sites.
Ensure that councils are supported with local implementation and managing the wider impacts of welfare reform.	<ul style="list-style-type: none"> <li>Successfully lobbied for government to reverse its decision around Local Welfare Assistance securing £74million.</li> <li>Published report on Local Impacts of Welfare Reform.</li> </ul>	<ul style="list-style-type: none"> <li>Emerging detail on £12 billion cuts (from 08/07/15 onwards).</li> </ul>
Ensure that the council role in Housing Benefit administration during and beyond Universal Credit roll out is appropriately recognised and resourced.	<ul style="list-style-type: none"> <li>Got DWP to deliver UC data sharing regulations.</li> <li>Secured key role for Partnership Forum to work with DWP to shape future housing benefit administration.</li> <li>Agreed a process with DWP for analysing future of housing benefit administration including membership of working group to agree all key figures.</li> </ul>	<ul style="list-style-type: none"> <li>Fully funded and negotiated package for housing benefit administration within local government.</li> <li>Clear indication of what future housing benefit administration will look like and phasing of client base.</li> </ul>
Work to understand and manage the implications for the housing market; continue to press for greater freedom and flexibility for councils to address the undersupply of appropriate, affordable housing with Environment, Economy, Housing&Transport Board.	<ul style="list-style-type: none"> <li>Secured involvement of LGA in proposals for the extension of Right to Buy (RTB) to RSLs.</li> <li>Prepared an internal report on the impact of reforms to date on HB, housing costs and broader housing market to inform current and future lobbying and policy design.</li> </ul>	<ul style="list-style-type: none"> <li>Extension of RTB to RSLs.</li> <li>Proposals and timescales for further cuts to HB / restrictions on access to social housing.</li> </ul>



### **Financial Implications**

7. All work programmes are met from existing budgets and resources.



Document is Restricted





## **Appendix A**

### **Final report of the Independent Commission on Local Government Finance (Report submitted to 5 March LGA Executive)**

#### **Purpose**

For discussion and direction.

#### **Summary**

The Independent Commission on Local Government Finance published its final report, *Financing English Devolution*, on 18 February 2015. This report provides a summary of the Commission's conclusions and recommendations, and asks the Executive to consider its response in the context of its wider work on devolution in England.

#### **Recommendations**

That the LGA Executive consider:

1. the recommendations of the Independent Commission on Local Government Finance in the context of the Executive's broader work on devolution in England; and
2. how the Local Government Association can promote the Commission's recommendations with member authorities, MPs, civil servants and other stakeholders, as it seeks to influence the policies of the next government.

#### **Action**

Officers will take action as directed.

#### **Contact officer:**

Eamon Lally/Stephen Hughes

#### **Position:**

Senior Adviser/Executive Director

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## **Final report of the Independent Commission on Local Government Finance**

### **Background**

1. The Independent Commission on Local Government Finance was established by the Local Government Association and the Chartered Institute of Public Finance and Accountancy in May 2014.
2. The Commission's terms of reference were to:
  - 2.1. Identify the strengths and weaknesses of the local government finance system.
  - 2.2. Bring forward practical options for reform in the next Parliament.
  - 2.3. Develop and test those proposals against the key challenges facing the country: growth; housing supply; effective welfare provision; affordable health and social care; and early support to families and children.
3. The Commission has been Chaired by Darra Singh OBE, Partner at Ernst and Young. Other members of the Commission are: Alan Downey; Anita Charlesworth; Bridget Rosewell OBE; Jonathan Portes; Paul Gray CB; Stephen Hughes; Stephen Lewis and Professor Tony Travers.
4. The Commission's interim report, *Public money, local choice*, was published on 30 October 2014. The interim report set out: what the Commission had been told; the Commission's vision for the local government finance system; emerging conclusions; and areas that it was keen to explore further.
5. The LGA Executive received a presentation from Darra Singh on 22 January 2015 in which he set out the key areas on which the Commission would make recommendations.
6. The final report of the Commission, *Financing English Devolution*, was published on 18 February 2015 and can be found here: <http://www.localfinancecommission.org/documents/iclqf-final-report>. The LGA's initial response to the report is also attached.

### **The Commission's proposals**

7. The Commission has set out plans for a 10 year programme of devolution that would see more than £200 billion in annual public expenditure being controlled by groupings of local authorities. The proposals balance the desire for incentives for growth with the continuing need for equalisation within the finance system. Its proposals would see a significant transfer of responsibilities for equalisation to sub-national groups of local authorities.
8. The Commission notes that the problems with the local government finance system have been long standing, but that two developments have given reform a new urgency. Faced with the long-term reductions in local government funding, councils and their partners could be far more efficient, effective and creative in their use of the totality of public

money, if they had the freedom. In addition, the debate over more powers for Scotland and the near universal acceptance that decisions are best taken as close to the citizen as possible, have created a rare opportunity to secure devolution within England.

9. The Commission's vision is for a finance system that:
  - 9.1. Promotes self-reliance and self-sufficiency.
  - 9.2. Encourages entrepreneurialism and innovation.
  - 9.3. Promotes local decision-making on service delivery.
  - 9.4. Is transparent in how it works and in the division of responsibilities between central and local government.
  - 9.5. Maintains support for the most vulnerable.
10. In setting out its longer-term vision and programme of reforms the Commission has also been conscious of the concerns about the sustainability of local government and has called for a review of functions and sustainability in advance of the next spending review. The commission calls for the establishment of an independent funding body to carry out the review of sustainability and to have a permanent role in advising central government on funding matters for local authorities and reporting to Parliament on the reasonableness of central government's funding decisions.
11. The Commission recognises that some groupings of authorities are already well placed to take on greater devolution of powers, funding and ultimately taxes, but that others will require a longer period of time to be ready for these reforms. A variable speed approach to reform is set out by the Commission. It makes two broad sets of proposals for change to the local government finance system. The first will apply to all local authorities and the second set of additional changes will support those authorities which are termed 'Pioneers' that are able to and wish to reform at a faster pace.
12. Reforms for all include:
  - 12.1. An independent body to: review the functions and sustainability of local government assessing the capacity of the sector to meet its key responsibilities including those on adult social care in advance of the next spending review; and advise central government on funding for local government — reporting to Parliament on the reasonableness of central government's decisions.
  - 12.2. Freedom to set council tax and council tax discounts and the retention of 100 per cent of business rates and business rate growth.
  - 12.3. Multi-year settlements.
  - 12.4. The ability to raise additional revenue through relaxation of the rules on fees and charges.

13. Reforms for Pioneers include:

- 13.1. Single place-based budgets covering a full range of public services beginning with Employment and Skills, and progressing perhaps through Health, welfare and ultimately assigned taxes and fiscal devolution.
  - 13.2. The opportunity to manage equalisation across a sub-national area.
  - 13.3. Further council tax reforms including the ability to vary council tax bands and to undertake council tax revaluations.
  - 13.4. New local taxes such as tourist taxes, and newly assigned taxes such as stamp duty and airport taxes.
  - 13.5. The establishment of Local Public Accounts Committees to oversee value for money across the totality of the place-based budget.
14. The LGA has previously supported both the ability to introduce new local taxes such as a tourism tax, in its 2014 Autumn Statement submission and elsewhere, and the hypothecation of existing taxes, in the *First 100 Days* and elsewhere.
15. The LGA is supportive of a variable speed approach on issues such as devolution but where all options are available to all local authorities to choose from. The LGA generally supports “pilot” projects only insofar as they will inevitably lead to an eventual roll-out to all local authorities, or all authorities that want it. The commission report sees all authorities having the opportunity of following pioneers over a 10 year period. The Chairman of the LGA, in his response to the findings of the Commission, pointed to the importance that the pioneer areas represent a broad spectrum of authorities.

**The Commission’s recommendations**

16. The Commission’s full list of recommendations is below. The text in italics after each recommendation shows the LGA’s current position.
- 16.1. That an independent review of the functions and sustainability of local government be undertaken in advance of the next government’s first spending review, to assess whether local authorities are appropriately funded to meet their statutory duties and to certify that all places are sufficiently funded.  
  
*The LGA has pointed to the disparity of funding levels in different areas, and the resulting risk to sustainability. It has also called for greater devolution of functions and the required funding to councils (in “100 Days” and elsewhere). Although the LGA has not to date called for an independent review of functions and sustainability, ensuring that councils are adequately funded to meet their statutory duties is line with existing LGA policy.*
  - 16.2. The establishment of an independent body to advise government on the funding needs of local government and on the allocation of funding to local authorities and sub-national areas.



*“100 Days” calls for an independent body to distribute funding to local authorities, rather than sub-national areas, while the Commission’s recommendation is that the body advise government on distribution.*

- 16.3. That the incoming government ends the policy of setting referendum limits on council tax and leaves the decision to local politicians.

*This is existing LGA policy which is reflected in a number of LGA publications including “100 Days”.*

- 16.4. That the incoming government should devolve council tax discount setting and the power to determine who receives council tax support to local authorities.

*This is existing LGA policy which is reflected in a number of LGA publications including “100 Days”.*

- 16.5. That 100 per cent of business rates and business rate growth should be retained by local government.

*This is existing LGA policy which is reflected in a number of LGA publications including “100 Days”.*

- 16.6. That the incoming government consults on the detail of the business rates retention reset as a matter of urgency, exploring options for a partial reset. The Commission also recommends that the independent funding body should advise government on the reset and report on the reasonableness of the government’s decisions.

*The LGA has not to date taken a position on how the business rates reset should be executed. How any reset is implemented, whether full or partial, will have a distributional effect on councils but asking for the government to engage with the sector, and allow enough time to ensure that the review is comprehensive would be in line with existing LGA policies.*

- 16.7. The review of business rate administration that has been announced by this government must look at the appeals process and propose ways to reduce the time it takes to resolve an appeal, as well as proposing options for reducing the time from valuation in which an appeal can be launched. This needs to be done in advance of the 2017 valuations.

*This is existing LGA policy which is reflected in a number of LGA publications including “100 Days” and “Business Rates: the Story so Far” (January 2014) which calls for a streamlined appeals process.*

- 16.8. That as part of the review of business rates, the government should consult on options for the localisation of business rate relief.

*This is existing LGA policy which is reflected in a number of LGA publications including “100 Days”.*

- 16.9. That the incoming government commits to full and clear multi-year settlements to enable effective long-term planning for local authorities and other public sector services.

*This is existing LGA policy which is reflected in a number of LGA publications including "100 Days".*

- 16.10. One of the key roles for the proposed independent review of the sustainability of local government will be to assess the required level of social care funding and to advise government on the amount of money that will be required to fund social care appropriately in the next spending round.

*The LGA has highlighted the inadequacy of social care funding through the Future Funding Outlook and other work. Although the LGA has not to date called for an independent review of this ensuring that councils are adequately funded to meet their statutory duties is line with existing LGA policy.*

- 16.11. The Commission supports councils having the freedom to determine fees and charges locally.

*This is existing LGA policy which is reflected in a number of LGA publications including "100 Days".*

- 16.12. That the incoming government commits to the introduction of place-based budgets for sub-national areas that are willing and able to take on this reform.

*The LGA supports the four community budget pilot areas, and its 2015 Budget submission asks that the government "make place-based finance the default method of service funding and delivery."*

- 16.13. That sub-national Pioneer areas should be given the power to determine the number and value of council tax bands and when properties are revalued.

*Current LGA policy on council tax makes no reference to a variable speed approach but supports this proposal for all councils.*

- 16.14. That the incoming government should work with local government to agree a timetable for fiscal devolution, adopting the Smith Commission's principles as a basis for reform.

*The LGA's 2015 Budget submission asks that the government "engage in true, meaningful devolution of decision-making powers and funding to the local level."*

- 16.15. That Local Public Accounts Committees should be established in Pioneer sub-national areas to scrutinise value for money for all public services.

*The LGA has not taken a public position on this but the issue of local accountability will be considered in forthcoming reports to the LGA's City Regions Board and People and Places Board.*

16.16. That the government should develop additional freedoms for Pioneer areas in support of national policy objectives such as economic growth and increasing the housing supply. These could include enabling Pioneers:

16.16.1. To develop new approaches to health and social care integration

*Current LGA policy is to support this proposal for all councils.*

16.16.2. To collaborate with Local Enterprise Partnerships in being entirely responsible for further and adult education, skills and apprenticeships, regeneration and employment support

*Current LGA policy is to support this proposal for all councils.*

16.16.3. Ultimately to take on responsibility for some welfare to working age adults and some fiscal devolution.

*The LGA has, in its review of the 2014 Universal Credit pilots, pointed to the vital role for councils in establishing, leading and commissioning partnerships to deliver support for claimants.*

### **Next steps**

17. The LGA Executive is asked to consider:

17.1. the recommendations of the Independent Commission on Local government Finance in the context of the Executive's broader work on devolution in England; and

17.2. how the Local Government Association can promote the Commission's recommendations as it seeks to influence the policies of the next government.



**LGA Executive**

5 March 2015

Document is Restricted



17 July 2015

## Meeting the Skills Needs of Local Government

### Purpose

For discussion and decision.

### Summary

This report invites the Board's comments on the direction the LGA should take in helping councils to get the most out of the system for identifying and delivering workforce skills.

### Recommendations

That the Resources Board:

- i. consider the proposed approach to skills-related activity;
- ii. endorse the three proposed principles; and
- iii. endorse the proposal for a sector skills champion.

### Action

Officers will take forward any actions agreed by members.

**Contact officer:** Sarah Messenger  
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## Meeting the Skills Needs of Local Government

1. The advent of a new Government presents an opportunity for a critical examination of skills needs and provision in England. With the delivery of policy around skills being seen as a prime element in proposals to devolve powers, councils will get an increasing level of responsibility. However the development of a new skills system is a complex issue which encompasses councils' roles not only as local economic champions but also as commissioners and providers of services. Councils' own needs are critical given the drive to integrate health and social care services.

### The Current Skills Context

#### Economic focus & reduction of bureaucracy

2. The main thrust of skills policy (post-education) over the last few years has been on economic development and the role of employers. Some bureaucracy has been removed and there is a greater commissioning role for the Department for Education so that it can aim to have bigger impact in stimulating the economy through the private sector. Little attention has been paid to the skills needs of public sector employers.

#### Focus on young people

3. The secondary focus of skills policy has related to the employment of young people. The LGA has taken a strong line with its series of reports called 'Hidden Talents' which lobby central government around the key theme of helping young people transition into work through skills acquisition – mainly through promotion of apprenticeships and revitalised 'career' support. The most recent report is attached at **Appendix A**.

#### Devolution and Skills

4. Plans for devolution include funding for skills and employment support through councils to Local Enterprise Partnerships (LEPs). Councils that understand the needs of their local economy will be best placed to use these new powers and funding to not only support their local growth agenda but also help embed employment and skills opportunities in a wider local education offer. The detail is yet to emerge but it is important for the LGA to have conversations with national skills bodies as described in this paper to ensure that they embrace devolution as well.

#### Councils as local employers

5. Whilst it is vital that local government continues to play a significant role in leading the employment and skills agenda for their local area, their role as an employer is just as significant. All jobs, both commissioned and using direct employees are important especially where the economy is weaker and more dependent on public sector employment. A number of challenges facing councils as employers in relation to skills have been identified. These are:
  - 5.1. There is a need to do **more joint procurement** of learning and development solutions between public sector partners and councils;
  - 5.2. Cross-sector working means skills need to be universally recognised and transferrable;



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- 5.3. There is a poor understanding of the local and regional **demand and supply issues for skills** and how councils need to respond to them;
  - 5.4. There is a **lack of strategic workforce planning skills** added to poor quality regional and national data to enable the sector to lobby government departments and challenge the way skills interventions are funded;
  - 5.5. There has been a rapid loss of experience, knowledge and skills through workforce reduction which has rendered **succession planning ineffective**;
  - 5.6. There has been a reduction in **investment in training** and development due to government reducing funding to local councils;
  - 5.7. There is a need for more effective ways to pay, reward and engage key workers to **aid recruitment and retention**; and
  - 5.8. There are **skill shortages** in certain key professional roles for example Children's social workers that require regional and/or national interventions.
6. These challenges cannot be solved without a strong skills system where partner organisations work together with Government. The LGA has a key role to play in conversations to make this happen.

### **A Complex skills system**

7. Despite recent changes the skills system in the UK remains extremely complex and the LGA needs to find a way to help councils to get the best out of it. It is often difficult to persuade councils that it is worth engaging with all this because there is not much obvious evidence of delivery. There is a need to look again at the formal role of skills bodies to ensure that they demonstrate clear value for money in their services.
8. One major overall challenge is that the organisations concerned are, by the nature of their remits, focused on particular segments of the local government workforce and/or service areas. The system is poorly understood and does not appear very joined-up. The remainder of this paper describes the organisations the LGA is working with to try and simplify matters.

### **Skills for Justice/Skills for Local Government**

9. Skills for Justice is the official sector skills council for local government and has created a trading arm called Skills for Local Government. Skills for Justice core role is to work with the employers in understanding their skill needs now and in the future and provide the infrastructure and support to address these skills requirements; importantly they help employers to set the required standards/qualifications for certain key roles.
10. At a recent meeting which also involved the National Association of Regional Employers it became apparent that Skills for Justice were unable to support the local government sector without any funding. All sector skills councils have seen their core government funding reduce and now disappear and are now reliant on their employer base funding their activity. Skills for Justice have financial support arrangements with the Fire Service,

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Police, Ministry Of Defence and Justice Service employers. Local Government does not have this relationship with Skills for Justice and cannot access any services without paying for them. The challenge therefore is to understand what core services we require from Skills for Justice, if any, to help tackle the key skill challenges we face and how to pay for these services.

### **Skills for Care**

11. Skills for Care is the employer-led workforce development body for adult social care in England, covering around 17,000 employers and a workforce of around 1.5 million. Skills for Care now hosts the National Skills Academy for Social Care and offers workforce learning and development support and resources from entry level through to leadership and management roles. The very fact that Skills for Care covers so many diverse employers is a challenge in itself because the role of councils as the primary commissioners of these services can often be obscured, although efforts have been made to improve this.
12. A recent meeting between Lead Members of the Resources and Community Wellbeing Boards and Skills for Care management agreed an intention to build on the good operational level relationships between the two organisations with stronger joint planning discussions. This is intended to overcome the difficulties caused by a change in Skills for Care governance which removed the LGA's representation on the main Board. The LGA needs the ability to help shape Skills for Care work priorities and also to develop joint projects where suitable.

### **Department for Education**

13. Following the abolition of the Children's Workforce Development Council, the Department has taken direct responsibility particularly for children's social work. This organisational change may or may not have had much effect on the quality of service provided but it has made it somewhat more difficult to influence policy development at an early stage.
14. The policy of the 2010-15 Government was to focus on rapid recruitment and accelerated development of high-calibre entrants to social work through the Frontline and Step-up-to-Social Work programmes. Although these programmes are well-structured and a number of councils participate, the LGA analysis is that what is needed also is a focus on retaining experienced social workers in the workforce which requires a different approach to personal and career development.

### **The College of Social Work**

15. The College of Social Work is a membership organisation that was created partly as a result of the work of the Social Work Task Force. It oversees professional standards for social work.
16. The LGA has had a variable relationship with the College although we supported its development. It will be important to influence the College's work such as the review of the Professional Capabilities Framework to ensure that it helps deliver the skills and competencies needed by councils as the main employers of social workers.

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### **Health Education England (HEE)/Local Education and Training Boards (LETBs)**

17. HEE is responsible for the education, training and personal development of all NHS staff. It supports healthcare providers and clinicians to take greater responsibility for planning and commissioning education and training through LETBs. HEE has oversight of around £5bn of expenditure each year. The current focus is largely on ensuring that predicted demand for specialist medical groups over the next 15 years is met.
18. The LGA has argued that more money should be spent on developing the current workforce, especially in the context of the integration of health and social care; there has been some recognition of this but the current remit is statutory. It will be important to continue to argue for some changes in spending priorities. The LGA has also called for the main committees of LETBs to include a lead local authority Chief Executive as a matter of course.

### **Public Health England (PHE)**

19. As part of its range of responsibilities PHE has a statutory responsibility to ensure the development of the public health workforce. This is done under a variety of initiatives set out under the umbrella of the national Public Health Workforce Strategy which was published jointly by the Department of Health, PHE and the LGA. Much of the delivery of skills development is done regionally and locally but there are national projects including a talent management system which covers council staff not in direct public health roles.
20. The relationship between the LGA and PHE is an excellent one with many programmes run on a partnership basis and a joint group dedicated to advice and support on development of public health teams. It will be important to ensure that the relationship is maintained and that useful programmes continue.

### **Overall conclusions**

21. The skills agenda is extremely important and the LGA has a key role in taking things forward by improving engagement on the issues as described. There are three suggested principles which could underpin this work:
- 21.1. The need for a more **simplified and streamlined skills system** that **avoids the issues of duplication and competition** experienced across government departments, quangos and organisations in the system
  - 21.2. The need for a **properly funded delivery model** that takes account of national, regional and local needs based on a set of clear strategic priorities (sector based) that support skills acquisition for adults (post-16) **linked to employer demand**
  - 21.3. The need for **better advice** for organisations and individuals wishing **to access support for their skills needs**, where possible at a local level.
22. The intention would be to use these principles in discussions with Government and in relationships with the organisations discussed.
23. Finally, to help take forward the LGA's views on skills policy and delivery it might make sense to identify a member as a "sector skills champion".



# Youth transitions

## Helping every young person reach their full potential



# Foreword

In 'Investing in Our Nation's Future' we set out a bold offer to reshape the future of public services around people and places. Reform has never been more necessary, particularly for young people.

Our young people have suffered most during the downturn, which accelerated worrying trends that existed well before the recession hit in 2008. Around 40 per cent of young people are either unemployed or underemployed.

In fact employment and skills services have long failed too many young people. There has been some excellent practice, but decades of centralisation and fragmentation have left the system broken, expensive and disconnected from the lives of young people.

Recent growth is encouraging, but it is unlikely to resolve the challenges for future generations without a radical rewiring of the way services prepare young people and work with employers.

This is critically important for our more vulnerable young people, who have been pushed furthest from opportunities and who have been least well supported by services. Staggeringly, since 2005 the number of young people unemployed for over two years has increased by 330 per cent to over 90,000.

Joining up local public services is the only way we can invest in future generations within the tough budget settlements. Evidence from Community Budgets, City Deals, the Troubled Families programme, the Raising of the Participation Age and countless local initiatives demonstrate that local delivery makes the difference.

Young people today are less likely to offend, drink or smoke underage and more likely to volunteer, care for others and engage in social issues; but they now vote less than in any other country in the European Union and are losing faith in the role of the centralised state in helping them achieve their goals.

In this report we are setting out the clear actions that must be taken to ensure all young people get the support they need to reach their full potential now, and in the future.

We want to replace the plethora of engagement schemes, Jobcentre Plus and the Work Programme with a single multi-agency Youth Transitions Service delivered locally to give every 14 to 24 year old the advice, support and tools to engage and develop in school, college or work regardless of their employment status.

We believe existing further education and apprenticeship support funding should be devolved to local partnerships of councils, schools and colleges so that they can deliver coherent Transition to Work Strategies ensuring young people get skills for jobs that actually exist locally.

And we rapidly need to establish a subsidy scheme to guarantee the 220,000 long-term unemployed young people experience of a real job with a real wage, locally run by councils to build on their relationships with employers.

If the next government has the courage and is bold enough to deliver public services differently, by the end of the Parliament we can half youth unemployment and reduce long-term unemployment by a third.

But we can do more. We will help revitalise democracy by helping young people lead the local services that matter most to them. And we will build new relationships with employers, establishing demand led services that create more and better opportunities for young people.

We'll be working tirelessly across party lines to turn these ideas into reality for the benefit of our young people and communities. The repercussions of not getting this right are huge, for young people, for the economy, and for democracy.



A handwritten signature in black ink, appearing to read 'Peter Box'.

**Councillor Peter Box**  
Chair LGA Environment, Economy,  
Housing and Transport Board



A handwritten signature in black ink, appearing to read 'David Simmonds'.

**Councillor David Simmonds**  
Chair LGA Children and  
Young People Board





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# Executive summary

There has never been a greater need to reform public services supporting youth transitions. Decades of centralisation and tinkering have created a complex and inefficient maze of interventions that achieve too little for too many young people. There are huge challenges ahead; in this paper we set out the case for change based on what we know works locally.

Councils have a unique understanding of young people, the places in which they live, learn and work, and the mix of local public services available to support them. They are ambitious for their young people, and have a number of statutory duties to ensure all reach their full potential.

There is cause for celebration. Youth unemployment is beginning to fall from the recession peak and teenage disengagement is at an all-time low. Young people are taking more responsibility, becoming less likely to offend, and to drink or smoke underage, and teenage pregnancy continues to drop. Councils are proud of their role in helping young people achieve this.

Significant challenges remain. Youth unemployment has been rising for some time and will not be resolved by growth alone. Still 733,000 young people are unemployed, 220,000 have been looking for work for over a year and those unemployed for over two years has increased by 330 per cent since 2005.

Those in work are more likely to be less secure, underemployed and underpaid; 40 per cent of young people are unemployed or underemployed. Unless something changes, we project around a third of all young people will still be unemployed or underemployed by 2018.

Public services are under growing financial pressure. Should education, health and international development remain protected from cuts, other areas of public spending will reduce by an average of 17 per cent up to 2018/19. Government cannot afford to continue spending inefficiently on a fragmented range of 40 centralised services and schemes that duplicate, compete and conflict locally.

There is huge capability and capacity across the system. Locally, partners know what works, consistently pointing to the success of joined-up services focusing on the unique needs individuals and employers in local economies. But the system is a long way from achieving this.

## **In our view the next government must develop a coherent national strategy for supporting youth transitions that focuses on:**

- **Helping the vulnerable by reducing complexity and intervening early** – Vulnerable young people are served least well by complexity but are most likely to encounter it. Successive administrations have built up a range of initiatives that trip over each other in trying to reach young people, incentivise partners to focus on the easiest to help, and create barriers that mainstream services must overcome to work together in helping them.

- **Matching skills and training to local economies** – Young people not pursuing the university route need a clearer track from education into the world of work. The post 16 learning landscape is increasingly fragmented and centralised, with little scope for institutions to collectively engage and meet the needs of local employers, and patchy advice for young people to navigate it. As a result, the skills gap is widening and teenage apprenticeships are falling.
- **Responding to young peoples' lengthening transition into work** – Services must adapt to a new youth jobs market which includes longer periods of uncertainty in underemployment, insecure employment, unemployment and inactivity. A half of all unemployed young people not in education receive no official help, those that do are poorly served by a benefits system designed to help adults into any job as soon as possible.

Government cannot achieve this alone. Evidence from City Deals, the Troubled Families programme, the Raising of the Participation Age and countless local initiatives demonstrate that local delivery makes the difference. Westminster must work with councils, allowing them and their partners to locally enable, coordinate and plan services so that they make sense to people and places around the country.

**We want to refocus services around the long-term outcomes of our young people, to deliver this central and local government should work together to:**

- Replace Jobcentre Plus, the Work Programme and the range of complex reengagement and advice initiatives with **a multiagency Youth Transitions Service coordinated and delivered locally to support every 14 to 24 year old to participate in education, training or work regardless of their employment status**
- Devolve existing spending on further education and apprenticeship support through local **Transition to Work Strategies providing coherent vocational education options for young people matched to the needs of local economies**
- **Consolidate accountabilities and funding into locally convened 14 – 24 Partnerships** that would build on existing partnership arrangements and become responsible for delivering long-term outcomes through the Youth Transition Service and Transition to Work Strategies

Based on the evidence of what councils are already delivering, we would aim to half youth disengagement and reduce long-term unemployment by a third by the end of the next Parliament, delivering savings of up to £1.7 billion a year.

But we can achieve more. Decentralised models can revitalise future generations' faith in democracy, giving young people the platform and power to shape and scrutinise the local services that matter most to them. And we can build a new relationship with employers, giving them the power to shape demand-led training and in return create more and better opportunities for young people.

**But reform will take time, and there are large numbers of more vulnerable young people that need help now.** In particular, we recommend government and councils should take immediate steps to:

- Establish a locally coordinated **job subsidy programme for the 220,000 young people long-term unemployed**
- **Ensure every young person has high quality impartial careers advice and guidance** at school by giving partnerships of schools, colleges and councils funding to plan and commission an independent offer
- Enable councils to fulfil their duties to support participation by **making councils lead commissioners of services for vulnerable young people disengaged or at risk of becoming so**, and establishing clear lines of local accountability to ensure that the range of provision locally serves young people well
- **Realign the vast majority of public spending on apprenticeships to young people who are not already in work**, and expanding the Apprenticeship Grant for Employers to be devolved to councils or Local Enterprise Partnerships
- **Remove vulnerable young people entering the adult benefits system for the first time from the ‘work first’ principle** that underpins Jobcentre Plus and the Work Programme

Now, as always, we will continue to emphasise the strengths of locally joined-up, targeted services – we stand by this and the evidence that they work.

# Youth participation in work and learning, trends and challenges

## Youth participation in work and learning, trends and challenges

Every individual is different, and every place is different. Beneath global, European and national economic and social trends, the economic downturn has had a differential impact on people and the places in which they live. Similarly, growth will look and feel very different across the country.

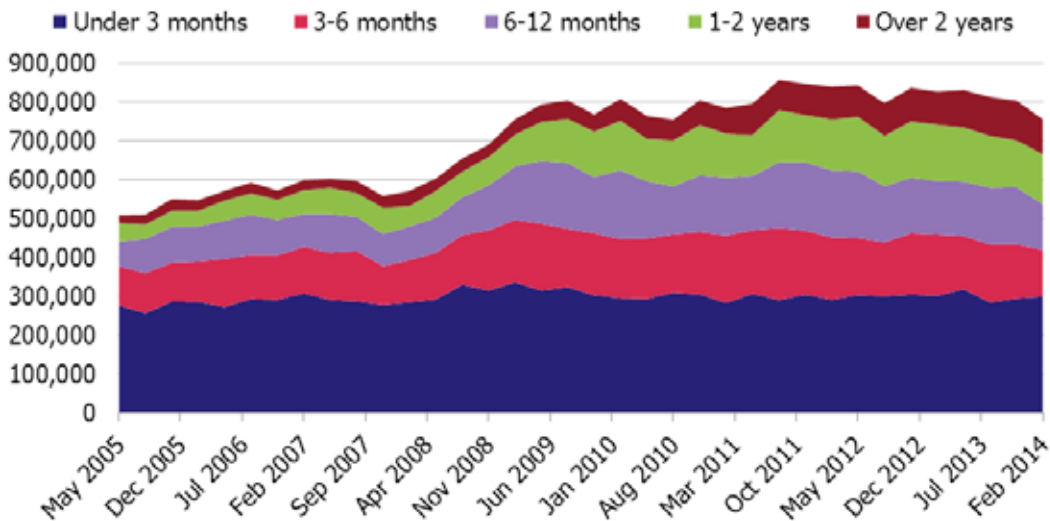
Some young people are able to prosper during recession, some may struggle but are well placed to benefit from growth as it emerges, but some are squeezed out of opportunities and will struggle to ever fully recover. We are most concerned about this last group.

Our young people face a number of challenges:

**Youth employment is falling from its peak in 2012 but overall the recession has had a greater impact on young people than adults.** Still 15 per cent of the economically active 18 to 24 year olds are unemployed, compared to 5 per cent for those aged 25 to 49. The number of young people unemployed now stands at around 733,000, and 1.09 million are not in work, education or training<sup>1</sup>.

**The recession has pushed some young people so far from the jobs market they may never fully recover.** The number of young people unemployed less than three months has stayed relatively constant since 2005. However youth unemployment has largely been driven by young people remaining unemployed for longer, 220,000 have been unemployed for over a year increasing by 225 per cent since 2005, and 90,000 young people have been looking for work for over two years, a 330 per cent increase since 2005 (Figure 1).

**Figure 1: Youth unemployment by duration, England and Wales**



Source: Inclusion analysis for the LGA, 2014

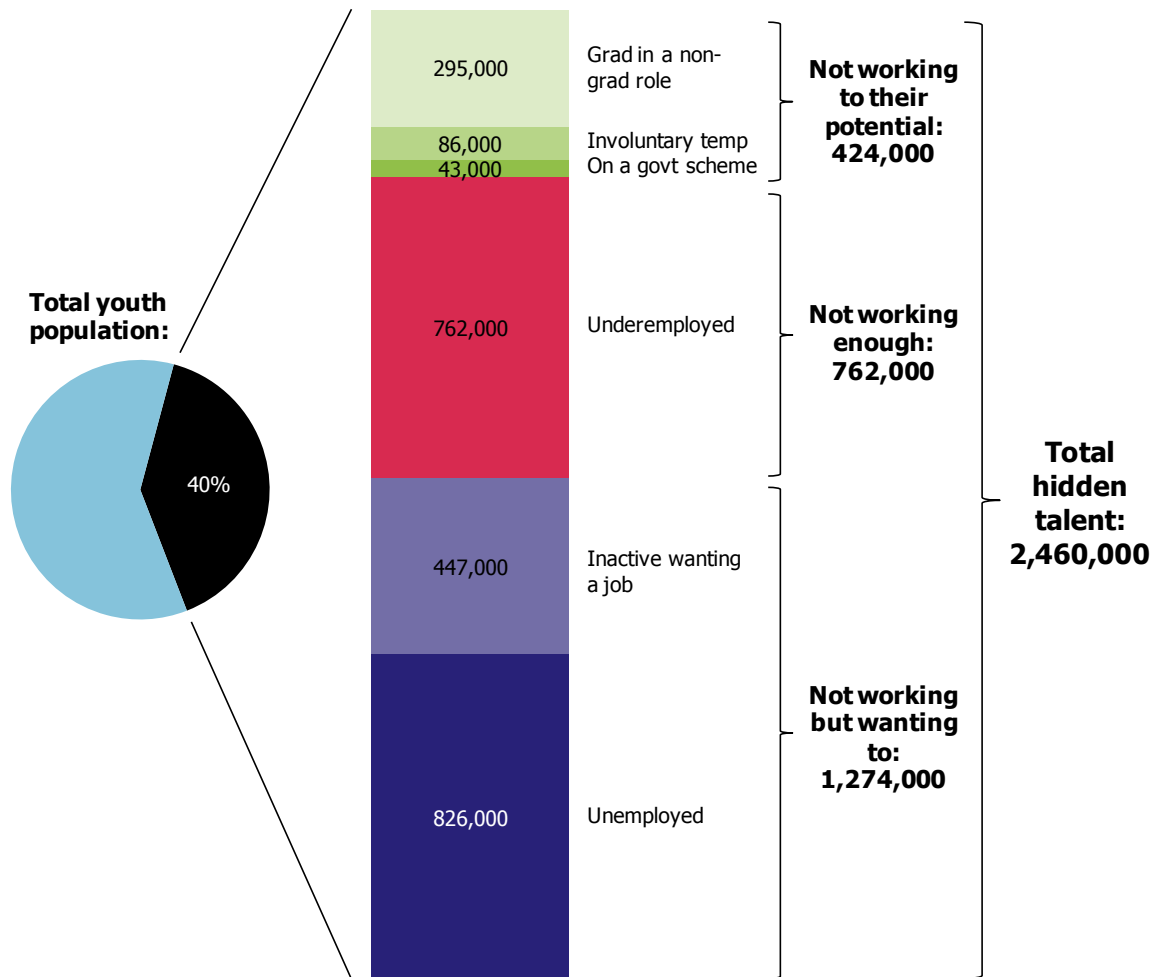
**Almost half of all unemployed young people that are not students are not receiving official help into work.** There are 237,300 young people that are unemployed and not participating in education who do not claim Jobseekers Allowance, and so receive no official government support back into work. This has increased by nearly 20 per cent since 2012<sup>2</sup>.

<sup>1</sup> Office of National Statistics, October 2014

<sup>2</sup> Office of National Statistics, October 2014, Inclusion analysis

**But being in work is not enough, more young people are becoming underemployed wanting an additional 2 billion hours a year in total.** Around 762,000 young people are in work but wanting more hours and a further 424,000 are counted as being in work but are not working to their potential. Around 2.5 million young people are unemployed or underemployed, which we call the total hidden talent, approximately 40 per cent of the youth population (Figure 2).

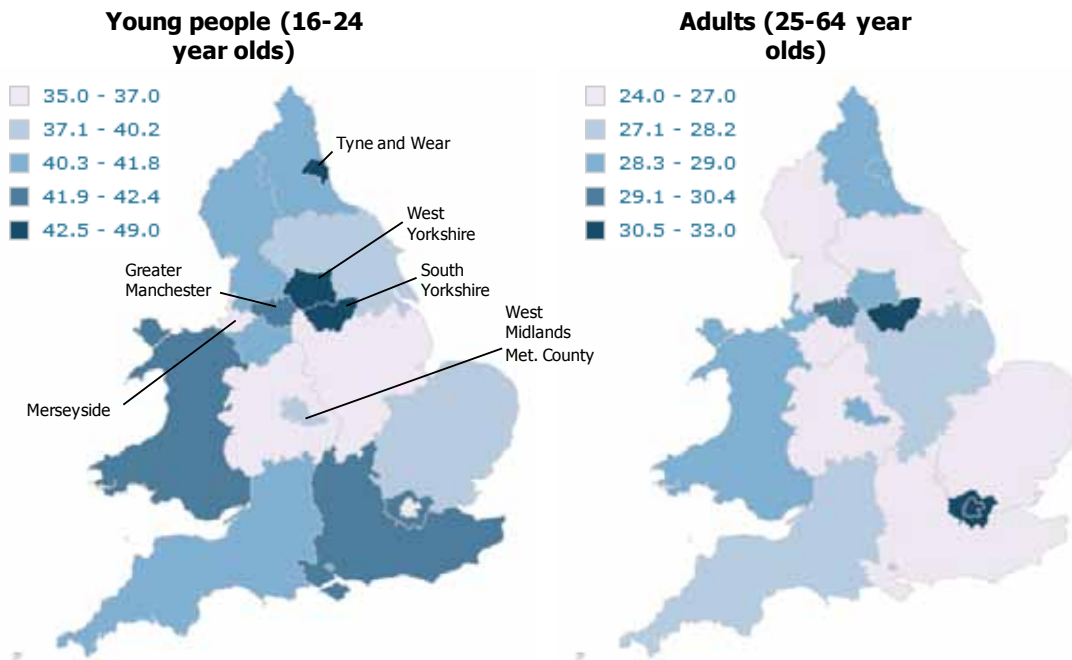
**Figure 2: Summary of the total hidden talent, young people (16-24 year olds), England and Wales, Oct 2012–Sep 2013**



Source: Totalling Hidden Talent, Inclusion/LGA, 2014

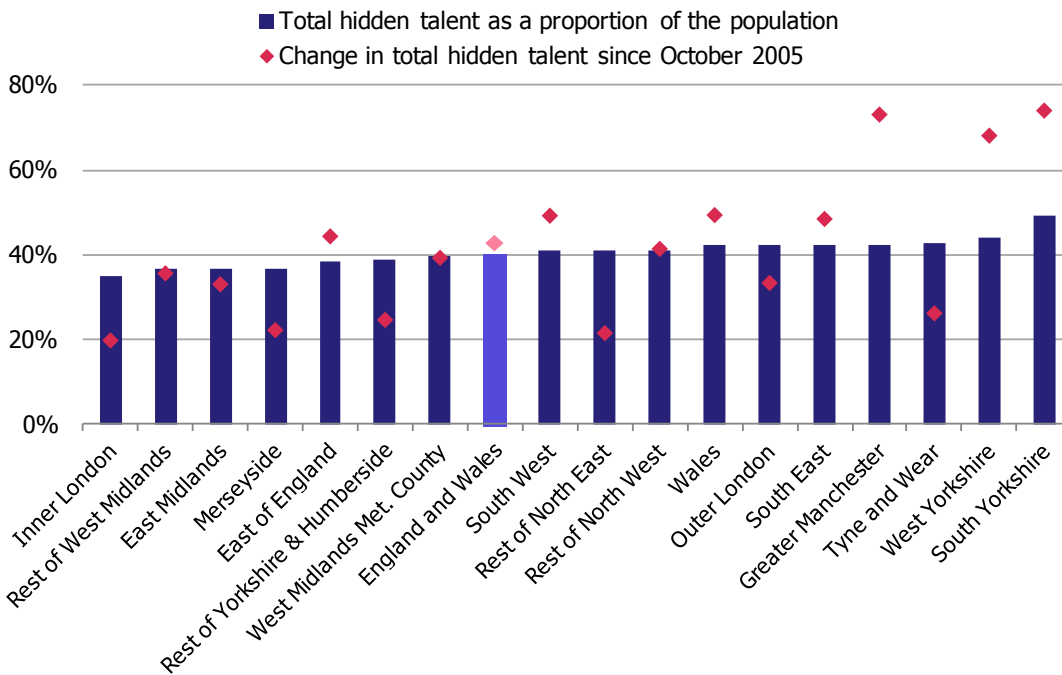
**There is complex and significant variation across local economies (Figure 3).** In particular, local areas with the highest youth unemployment and underemployment have also seen the greatest increase since 2005. South Yorkshire, West Yorkshire and Greater Manchester have amongst the highest youth total hidden talent and have seen the greatest increase since 2005. The North East has above average numbers of unemployed and underemployed young people but has seen a relatively small increase since 2005 (Figure 4).

**Figure 3: Total hidden talent as a proportion of the population (percentage), young people compared to adults, England and Wales, Oct 2012 – Sep 2013**



Source: Totalling Hidden Talent, Inclusion/LGA, 2014

**Figure 4: Total hidden talent rates and change in total hidden talent since 2005, young people (16-24 year olds), England and Wales, Oct 2012–Sep 2013**

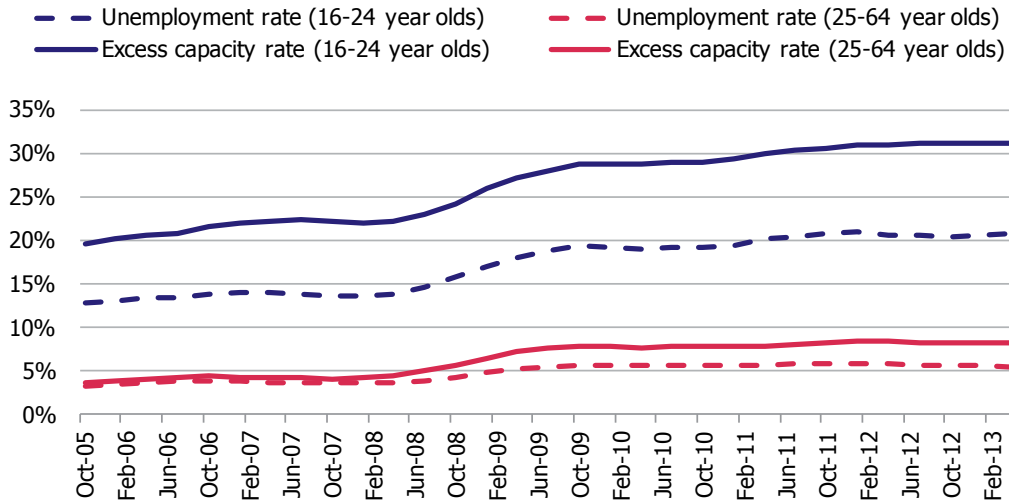


Source: Totalling Hidden Talent, Inclusion/LGA, 2014



**Youth unemployment is a structural issue that will not be resolved by growth alone, it was rising before the recession, increasing from 11.8 per cent in 2003 to 14.6 per cent in 2007.** Around 20 per cent of young people’s total capacity to work was going unused in 2005<sup>3</sup>. This grew between 2005 and 2008 and rose sharply during recession; almost a third of young people’s capacity is now going unused (Figure 5). In contrast, the excess capacity of 24 to 64 year olds only became decoupled from the unemployment rate during the recession.

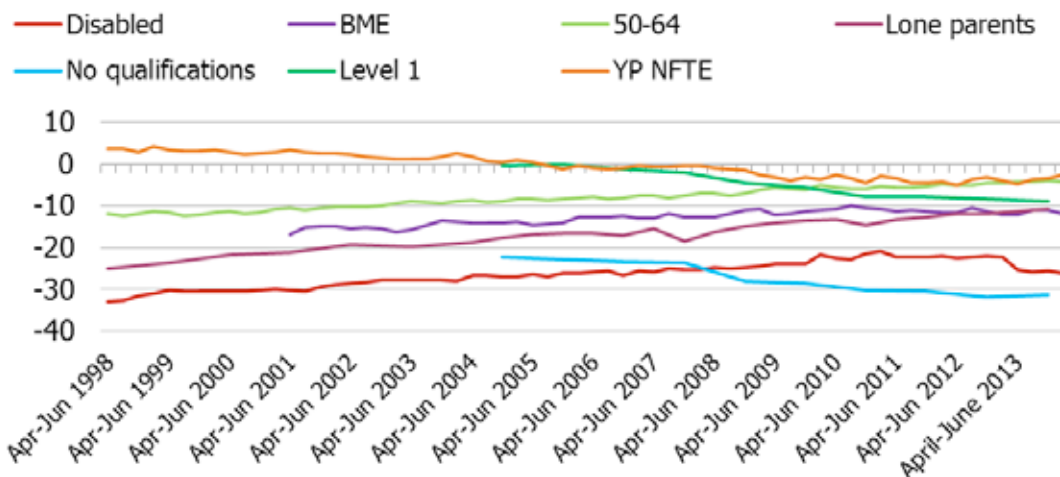
**Figure 5: Unemployment and excess capacity rates, young people compared to adults, England and Wales**



Source: Totalling Hidden Talent, Inclusion/LGA, 2014

**Young people with low or no qualifications are particularly poorly placed to benefit from growth.** Compared with the national average, employment rates for young people with low or no qualifications and young people not in full time education have been declining steadily since 2005. Over the same period, the employment rates of other disadvantaged groups, such as lone parents and the disabled, have increased (Figure 6).

**Figure 6: Employment rate gaps, disadvantaged groups**



Source: Realising talent, Inclusion/LGA, 2014

<sup>3</sup> The excess capacity rate is the number of additional hours unemployed and underemployed people want to work, minus the excess hours that ‘over-employed’ people want to reduce their working time by, as a proportion of all the capacity available in the workforce.

**Unless something changes, around a third (2.1 million) of young people will be unemployed or underemployed by 2018.** It is likely that the numbers of total youth hidden talent will continue falling but by the end of 2018 around 800,000 more young people will be unemployed and underemployed before the recession in 2007<sup>4</sup>. It is likely that the proportion will be significantly higher in those places where the recession has the most entrenched youth unemployment and underemployment.

**The potential costs for young people and the exchequer are significant.** An average unemployed young person will spend an extra 2 months a year out of work in their late twenties, earning around £3,000 less a year in their early thirties. Previous estimates have suggested youth unemployment will cost the exchequer £28 billion over the next decade – at least £689 million a year on benefits, £2.2 billion in lost tax, and £6.3 billion in lost economic output<sup>5</sup>.

**Young people's disadvantage in the jobs market is long-term and has been further entrenched by recession, recent falls are welcome but unemployment is still far too high and underemployment poses significant challenges. Every individual and place is different, while some are well placed to benefit from growth as it emerges, many are not.**

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4 Totalling Hidden Talent, Inclusion / LGA, 2014

5 Youth unemployment: the crisis we cannot afford, ACEVO Commission on Youth Unemployment, 2012

# Public services and principles for reform

## Whose outcome is it anyway: rewiring funding and accountabilities

The market of nationally funded provision continues to shift, while there is some excellent practice the majority of that change brings further complexity and uncertainty. Currently, there are around 40 different national schemes, services and payments costing in the region of £15 billion each year, delivered by 10 national departments or agencies, across 14 different age boundaries<sup>6</sup>.

This generates real barriers. **Complexity across services clouds responsibilities to the extent that no one organisation or partnership can be held to account for improving the overall long-term outcomes for young people.** As a result there is little strategic planning, little sense of the balance between apprenticeships, further education, reengagement provision, academic studies and employment support across each area, and little scope for young people, employers or local and central government to understand and resolve duplication, gaps or underperformance.

Instead, tens of thousands of institutions are encouraged to focus on a range of national objectives that, without meaningful local brokerage, can reinforce barriers between services around young people. For instance schools are encouraged to prioritise academic learning; sixth forms, colleges, and work-based learner providers compete for learners; councils, the Youth Contract, European Social Fund, Youth Engagement Fund, National Citizen Service all compete to support participation; Jobcentre Plus and the Work Programme focus on getting people off benefits as soon as possible.

Councils are best placed to take a strategic view across places, mapping provision to understand where there is duplication and gaps, and to build relationships between institutions to ensure that they collectively serve young people and employers across an area<sup>7</sup>. Ofsted agree, and have warned that nationally managed strategies have too often been poorly aligned with local delivery, recommending that clear lines of local accountability be established through councils or Local Enterprise Partnerships<sup>8</sup>.

**In our view, there has never been a greater financial case for public services to work together to strategically plan, use and target investment in places.** Should education, health and international development remain protected, all other departments will need to make an average 17 per cent of further spending reductions up to 2018/19 in order to deliver government's spending ambitions<sup>9</sup>.

Local government is already adapting to 43 per cent budget reductions on youth spending, falling from approximately £916 million in 2009/10 to £522 million by 2014/15<sup>10</sup>. By 2018/19 just £469 million will be left for council services supporting youth transition. The National Audit Office has warned that cuts to councils put government's objectives to reengage young people at real risk<sup>11</sup>.

<sup>6</sup> See Annex 1

<sup>7</sup> Councils supporting youth transitions, LGA, 2014

<sup>8</sup> Securing a better future for all at 16 and beyond, annual lecture for further education and skills 2014, Ofsted, 2014

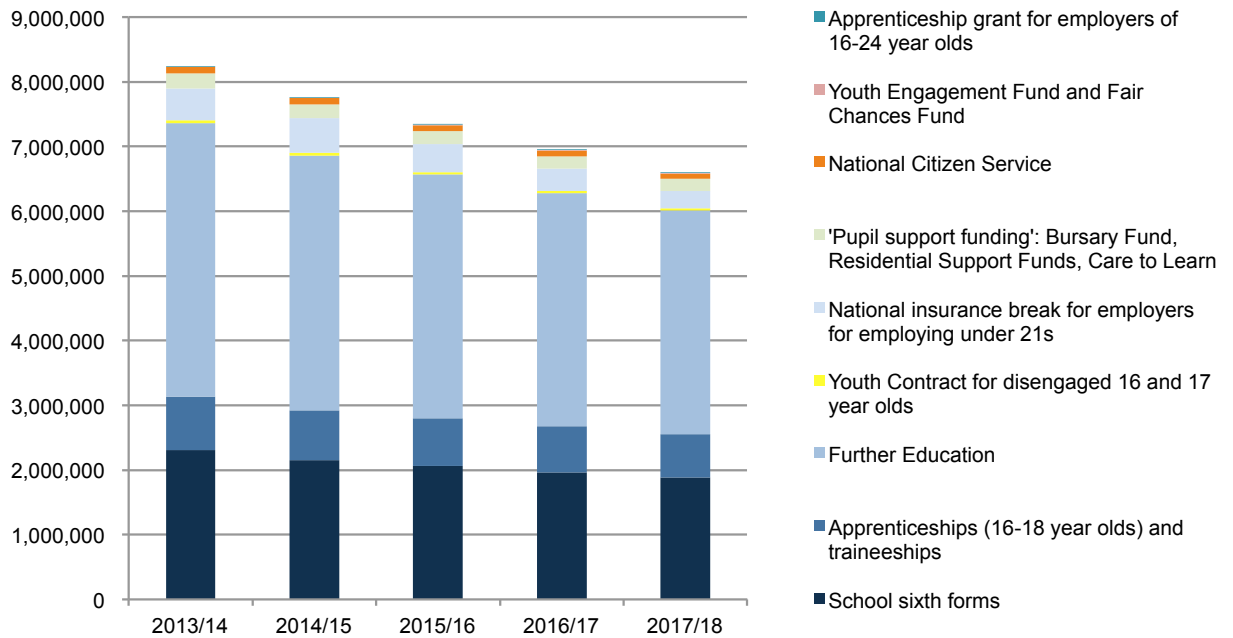
<sup>9</sup> The Institute of Fiscal Studies Green Budget, Institute of Fiscal Studies, 2014

<sup>10</sup> LGA analysis of Section 251, which will not include all council spending supporting youth participation

<sup>11</sup> 16 to 18 year old participation in education and training, National Audit Office, 2014

Most partners will be under similar pressures. If budget reductions were to be applied across post-16 spending, national spending is likely to fall from the region of £8.2 billion a year to £6.6 billion a year by 2018/19 (Figure 7). The average area, or AnyPlace<sup>12</sup>, would need to save £46 million between 2013/14 and 2018/19, leaving just £185 million a year.

**Figure 7: Forecasted spending reductions applied across post-16 learning and engagement activity (not including council spending)**



Source: LGA analysis

**The centralised public service model is poorly placed to adapt to further reductions while improving outcomes for young people.** Blanket national budget reductions prevent partners from working together strategically to find savings and protect all young people. Instead they risk ‘salami slicing’ individual national budgets in a way that can intensify competition and reinforce the barriers between services, entrenching duplication and gaps that serve vulnerable young people least well.

This is happening to some extent already. For example government’s protection of pre 16 budgets has concentrated 12 per cent reductions in post-16 learning and subsequently led to further 17.5 per cent funding reduction for all 18 year olds. These reductions, combined with pressure on schools to focus on academic achievement, have the greatest impact on pupils that struggle in academic learning and reinforce the gap between pre and post 16 institutions and academic and vocational learning.

<sup>12</sup> Anyplace defined as: Population size, 1.5 million; Number of Households, 581,6000

**There are efficiencies to be found within nationally contracted programmes as well as across them. For instance:**

- Youth Contract duplicates council support to reengage young people and is channelled through a regional level of prime providers that costs a management fee of between 20 and 25 per cent and 30 and 50 per cent before subcontracting to providers working with young people<sup>13</sup>.
- National Citizen Service (NCS) duplicates council youth services support and costs over £1,200 per participant for a six week programme, over £50 per hour of volunteering, and is due to expand at a cost of £100 million a year; a scheme in Germany funds a whole year of work-based volunteering at a similar cost per head<sup>14</sup>.
- The National Insurance Break for employers taking on under 21s will cost up to £500 million, despite similar schemes being prone to large deadweight costs for subsidising employment that would have occurred anyway

**In our view, accountability and spending supporting youth transitions should be brought together nationally, and around a strategic local plan delivering a set of agreed long-term outcomes for every young person in each area,** in line with the vision set out by Total Place and the Community Budget<sup>15</sup>. The next government and councils should work together to:

- Undertake an independent value for money review of the totality of public spending on support for youth transitions at the national level and within a number of different local area reviews
- Provide a coherent national strategy for funding services supporting youth transitions and move towards providing stable long-term funding settlements to local partnerships, giving them the flexibility to join-up services around young people and employers
- Reduce complexity and consolidate accountability for delivering long-term outcomes to young people in single local partnerships and a single national Department

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<sup>13</sup> The Youth Contract for 16-17 year olds not in education, employment or training evaluation, Institute for Employment Studies, 2014

<sup>14</sup> Services for young people, Education Select Committee, 2011

<sup>15</sup> Whole Place Community Budgets: A Review of the Potential for Aggregation, Ernst and Young, 2013

## Services with complex needs: personalised support for the vulnerable

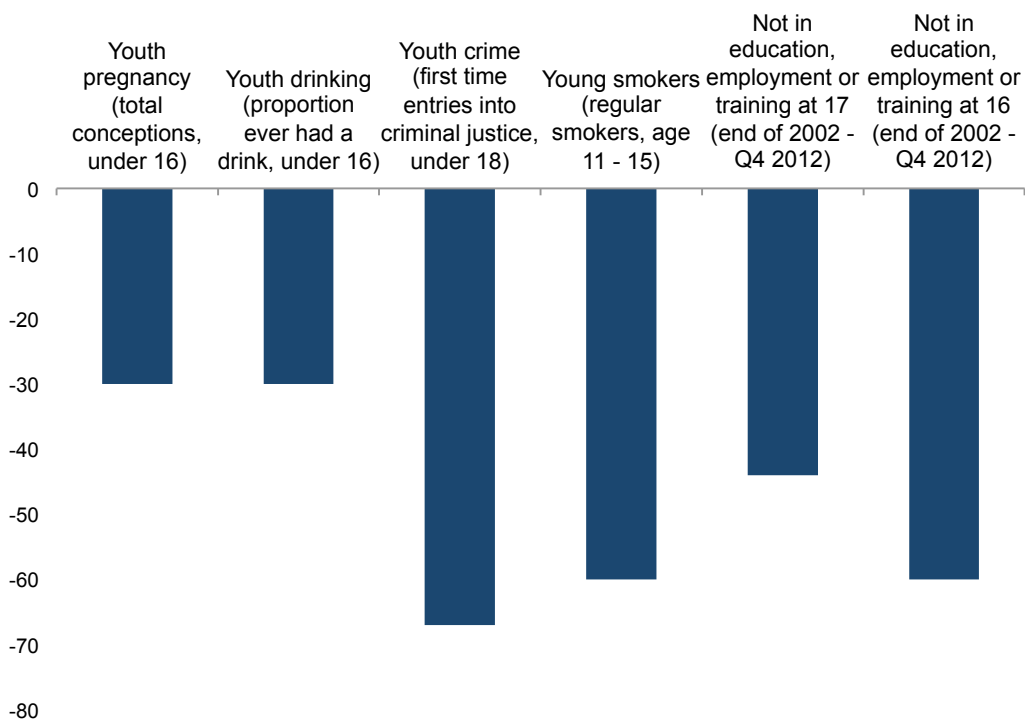
**There is some way to go in helping the vulnerable transition into work, which are served least well by complexity but are most likely to deal with it.** The complexity is particularly problematic around 16 to 19 year olds, for who councils have the duty to support as part of the Raising of the Participation Age, but very little influence over levers necessary for achieving it.

Councils know how to best reduce youth disengagement. The most successful models build consistent relationships with young people through personal advisers, becoming a trusted source of advice and working with key partners, such as in housing, health, transport, families and employers, to overcome barriers to participation.

There have been some real successes. Between 2002 and 2012 teenage disengagement, youth crime, underage drinking, smoking and pregnancy have all fallen significantly (Figure 8). Each success is built on principles of early intervention through decentralised, joined-up local services. For instance council-led multi-agency Youth Offending Teams have reduced the number of young people entering the criminal system by 67 per cent since 2002.

This model is supported by evidence from within programmes. While the national Youth Contract for disengaged 16 and 17 year olds has helped just 35 per cent of young people into work or learning, locally joined-up pilots in Leeds have helped 70 per cent and 74 per cent in Bradford, and over 60 per cent in Newcastle and Gateshead. The independent evaluation emphasised ‘the need for a coordinated local response to identify, support and meet the needs of young people’<sup>16</sup>.

**Figure 8: Positive youth trends, percentage change (2002-2012)**



<sup>16</sup> The Youth Contract for 16-17 year olds not in education, employment or training evaluation, Institute for Employment Studies, 2014

For many vulnerable young people, however, services are insufficiently able to deliver sustainable positive outcomes. **Despite councils having the statutory duties to support the participation of young people, they have no influence over a vast range of national schemes and services critical for delivering it** (Figure 9). Currently, young people turning 16 enter a complex and insufficiently targeted array of national services and programmes facilitated by a default approach of establishing new centralised schemes.

Commissioning services in this way, through different supply chains and in isolation from local services, reduces the overall effectiveness and efficiency. Young people that most need a consistent and personalised offer of support are at risk of bouncing between a market of short-term programmes that struggle to resolve underlying barriers to participation and create gaps.

**Government has recognised the limitations of disjointed services but struggled to overcome Westminster silos.** The 16 to 24 Review was set up with the aim to simplify 'a maze of different programmes' but has instead increased complexity, creating three more nationally funded schemes working with a similar group of young people: the Youth Engagement Fund, Fair Chances Fund, and Jobcentre Plus pilot working with disengaged 16 and 17 year olds (see Annex).

Councils have the task of tracking young people through this maze, identifying those at risk of dropping out, and supporting them if they do, but are reliant on the good will of partners to cooperate. The majority of partners do want to work cooperatively in local areas but must overcome significant national funding or performance disincentives to do so.

Many more partners are free to ignore local government and its statutory duties. For instance the Universities and Colleges Admissions Service has refused to share data forcing councils into redirecting resources into calling, texting and knocking on doors to identify whether young people are at university or are disengaged and need help. Despite challenges councils have successfully reduced the proportion of young people 'unknown' from 8.3 per cent to 7.1 per cent over the last two years.

**It is becoming increasingly important that investment prevents disengagement rather than delaying it.** While teenage disengagement has dropped to all-time lows the proportions of 19 to 24 year olds disengaging remains stubbornly high. A large proportion of engagement spending is currently delivered through mainstream services, for example the pupil premium by schools, and the bursary fund by colleges. While this support provides vital help to many young people, supporting participation in this way and in isolation of other services risks too many young people being kept in learning that may not be right for them, rather than addressing underlying barriers to participation.

Increasingly, engagement provision should: be able to offer an alternative to mainstream learning as well as enabling participation within it, such as through small voluntary sector providers; give institutions the power to flex the mainstream curriculum and learning around vulnerable individuals, and combine and co-fund with wider services, such as Troubled Families, housing and health services.

In our view government should set a coherent national participation strategy delivered locally by councils and partners that can build on their success in bringing together services around vulnerable young people as early as possible – such as they have done in reducing youth offending, teenage pregnancy and teenage disengagement.



## Agenda Item 5a

In particular, local and central government should work together to:

- Realign funding with statutory duties by making councils the lead commissioners of all youth engagement programmes locally, including any successor to the Youth Contract, Youth Engagement Fund, Bursary Fund and Traineeships
- Place a duty on all partners to cooperate with councils in fulfilling a collective duty to reduce youth disengagement, incentivising the co-funding of reengagement provision from councils, schools, colleges and other providers like Jobcentre Plus, and smoothing the transition of vulnerable groups into the jobs market
- Make the Client Caseload Information System (CCIS) the single main repository for understanding youth participation, and segment young people's participation status to take account of what is known by councils, for example when a young person is known to have left an area though their new destination is unknown

**Figure 9: Council statutory duties compared with levers over contributing government funded provision**

Local authority duty	Government funded provision	Local authority levers
<p><b>Support the Raising of the Participation Age and secure suitable education and training provision for all young people</b></p>	<p>Sixth Forms – schools, colleges and others funded by and accountable to the EFA, DfE and Ofsted</p>	<p>None</p>
	<p>Further Education – colleges and training providers funded by and accountable to the EFA, DfE and Ofsted</p>	<p>Limited (gap-filling)</p>
	<p>Apprenticeships – providers funded by and accountable to NAS, DBIS and DfE</p>	<p>None</p>
	<p>National Careers Service – funded by and accountable to SFA and DBIS</p>	<p>None</p>
<p><b>Reduce youth disengagement among 16-19 year olds, including tracking young people</b></p>	<p>Youth Contract for 16 and 17 year olds – providers funded by the national Youth Contract funded by the EFA</p>	<p>None</p>
	<p>16 to 19 Bursary Fund – colleges accountable to EFA and DfE</p>	<p>None</p>
	<p>Traineeships – approved providers funded by and accountable to the EFA and DfE</p>	<p>None</p>
	<p>European Social Fund – influenced by LEPs, funded by and accountable to DWP and the European Commission</p>	<p>Limited (through LEP)</p>
	<p>ESF Youth Employment Initiative – influenced by LEPs, funded by and accountable to DWP and the European Commission</p>	<p>Limited (through LEP)</p>
	<p>Innovation Fund (rounds 1 and 2) – successful providers funded by and accountable to DWP</p>	<p>None</p>
	<p>National Citizen Service – providers funded by and accountable to NCS Trust and Cabinet Office</p>	<p>None</p>
	<p>Big Lottery Fund Talent Match – providers funded by the Big Lottery Fund programme</p>	<p>None</p>
	<p>Jobcentre Plus pilot working with 16 and 17 year olds – funded by and accountable to DWP</p>	<p>Limited</p>
<p>Jobcentre Plus support to young people claiming Jobseekers Allowance – funded by and accountable to DWP</p>	<p>None</p>	

## Destination unknown: building skills for jobs that exist locally

Policy-makers continue to emphasise the importance of employer engagement in helping young people prepare for the world of work but without articulating how the system can best practically achieve this. It is no simple task. **There are 2.23 million local business units across England, with 99 per cent employing less than 100 people, and all wanting a simple and supportive route into the education and employment system.**

Councils have strong relationships with their local employers and an understanding of local economies, built up through their efforts to grow places in partnerships such as Local Enterprise Partnerships, and through day to day relationships through the planning system, infrastructure development, procurement and the tax system. Councils around the country use these relationships to meet employer skills needs and create opportunities for young people, but in isolation of the centralised skills system rather than within it<sup>17</sup>.

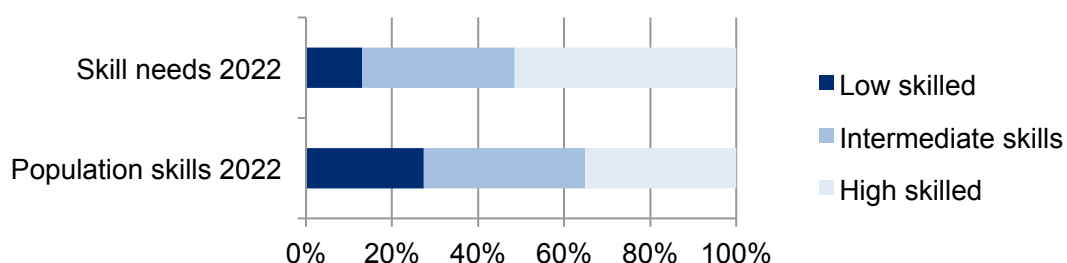
Successive administrations have sought to manage the public service relationships with employers through multiple Departments in Whitehall. This has not worked for the majority of employers, creating a supply-driven model encouraging thousands of institutions to separately seek out employers to source opportunities for young people primarily to meet national criteria, rather than the needs of employers.

**With the greatest will, it is impossible for any single agency to coordinate this activity in a way that delivers the simplicity and stability that is necessary to build reciprocal relationships with employers.** The repercussions are significant, leading to:

**Skills mismatches between qualifications and job opportunities.** In 2011/12 94,000 people qualified for hair and beauty qualifications for just 18,000 jobs and too many young people churn between low level programmes rather than progressing and developing their skills<sup>18</sup>. Colleges want the best for young people, but are encouraged by the national lagged learner funding model to offer any course, competing with other providers to attract learners, rather than to work collectively to create a mix of courses meeting the needs of local employers.

The skills system faces an enormous challenge. Should trends continue, there will be 9.2 million low skill workers chasing 3.7 million low skill jobs by 2022, while employers struggle to find people with the high skills that they will need (Figure 10). The skills mismatch risks holding back projected growth by up to 25 per cent up by 2022, the equivalent of £374 billion in the economy<sup>19</sup>.

**Figure 10: Projected skills needs and population skills levels 2022**



Source: Realising Talent, Inclusion/LGA, 2014

17 Councils supporting youth transitions, LGA, 2014

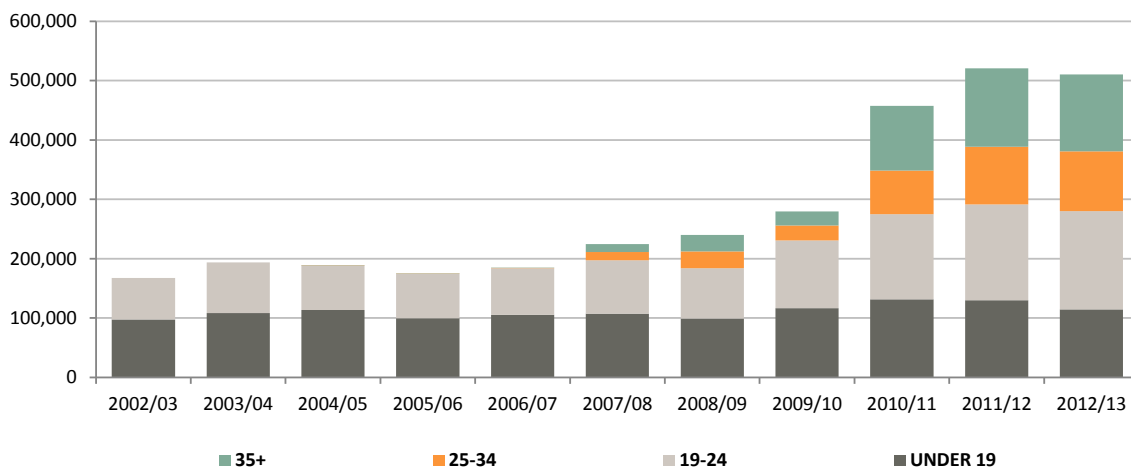
18 Learning and Skills, the report of her Majesty's Chief Inspector of Education, Children's Services and Skills, Ofsted, 2012

19 Realising Talent, Inclusion/LGA, 2014

**Fewer opportunities for young people.** Apprentices are increasingly likely to be in work already, older, and in sectors associated with low skills and low pay<sup>20</sup>. The number of under-19 apprenticeship starts continues to fall and there are now more people over 35 starting apprenticeships than teenagers. This is despite a large and growing demand from young people. In 2012/13 just 110,000 teenagers started an apprenticeship from 880,000 applications via the Apprenticeships Vacancies website, while 230,000 over 25s started an apprenticeship while just 65,000 applying via the same website.

The challenge in engaging employers has an impact wider than apprenticeships. Early assessments of study programmes and traineeships by Ofsted and the National Audit Office have both warned about the availability and quality of work experience placements; only 5,400 teenagers have started traineeships so far and just 43 per cent of providers saying they would deliver traineeships have actually recorded starts with many struggling to build relationships with employers<sup>21</sup>.

**Figure 11: Apprenticeship starts by age**



Source: IPPR/LGA analysis of FE Data Library

**Fewest opportunities for the most vulnerable.** Young people disengaged or long-term unemployed benefit most from paid work as an experience or as a guaranteed objective to aim towards, but this group of young people can represent a greater risk for employers. The Youth Contract wage subsidies aimed to give 160,000 long-term unemployed young people a subsidised job, but struggled to engage employers creating just 20,000 places before being scrapped in 2014<sup>22</sup>. Furthermore as many as 80 per cent of opportunities subsidised by the scheme would have been created anyway<sup>23</sup>.

20 The LGA is working with the Institute of Public Policy Research to look at the future of apprenticeships, to launch later in 2014

21 16 to 18 year old participation in education and training, National Audit Office, 2014

22 Youth Contract Official Statistics, DWP, 2014

23 Early evaluation of the Youth Contract wage incentive scheme, TNS BMRB / DWP, 2013

**In order to achieve better outcomes and efficiencies it is becoming essential that the relationship between public services and employers is radically rewired around the local economies that the majority operate within.** Local partnerships should be empowered to broker local employer demand within the skills and employment system, and in return create the experience and learning opportunities that all young people need.

In our view, the next government and councils should work together to:

- Ensure that all employers have the platform to coherently and easily shape skills funding by completing the transfer of further education funding to local partnerships in line with the Apprenticeship, Skills, Children and Learning Act
- Focus the majority of apprenticeship spending towards young people not already in work, devolving the Apprenticeship Grant for Employers programme enabling councils to work with local employers to create opportunities for young people
- Reshape the relationship with all employers with the aim of addressing the long-term challenges for young people in the labour market, including productivity, in-work progression, job security and pay

## Hope with honesty: impartial advice and guidance for all

Young people need both inspiration and honesty before committing to a learning choice. Without honesty and high quality information we risk setting young people up for disappointment, which can cost individuals and society dearly.

**The world of learning and work has grown more complex, and having the right advice to navigate them grown more important.** Young people can access vast amounts of opinion and information online, but the need to match aspirations to the realities of work, to local learning options, and to each individual's circumstances should be the focus for public support. There are already 10 times more people aiming to work in culture, media and sports than there will be jobs in 2020<sup>24</sup>.

Councils continue to help schools with their duty to provide impartial advice, by supporting them to commission provision, providing high quality local labour market intelligence, developing local improvement tools, or by providing a traded service. While there is some excellent practice, **councils are reporting significant variations in the quantity and quality between institutions.** Only 2 per cent of councils agreed that schools were providing young people with sufficient careers advice to make effective decisions on their post-16 education<sup>25</sup>, echoing the findings of Ofsted<sup>26</sup>, and the Education Select Committee<sup>27</sup>.

In our view, this is because schools have been given insufficient clarity of what pupils should expect to receive, little support to implement the duty and upskill school staff to commission or provide advice services, and insufficient priority or certainty of careers advice in the Ofsted inspection framework.

Furthermore **many schools are in the difficult position of having to provide impartial advice to their pupils in a competitive market while holding a financial interest in the decisions they take.** With pupils worth at least £4,000 to providers, schools with sixth forms are incentivised to encourage learners not to move into other institutions or apprenticeships<sup>28</sup>. This pressure is likely to increase as budgets and the youth cohort size continues to fall.

The implication for individuals will vary. While disengaged young people generally have access to council and other support and academic achievers have the schools attention, many young people who are uncertain on whether to pursue an academic or vocational post 16 route are not getting the impartial advice they need. Policy Exchange have estimated 31 per cent of young people who do A-Levels drop out of their studies, and that many would have been more suited to vocational learning options. The drop out costs government in region of £300 million a year<sup>29</sup>. A more recent study in London found a quarter of all Year 12 Level 3 starters dropped out of their sixth form before turning 18 years old<sup>30</sup>.

The fracturing of the responsibility to provide advice and support between schools, colleges, councils, Jobcentre Plus and the National Careers Service (NCS) has reinforced confusion and challenges. There are few spaces where young people can drop in at any time to receive impartial advice. The NCS offers remote online and telephone support to young people, but

24 Nothing in common, the careers aspirations of young Britons mapped against projected labour market demand, Education and Employers, 2013

25 Supply Chain for Skills and Employment Survey, Local Government Association, 2014

26 Going in the right direction? Careers guidance in schools from September 2012, Ofsted, 2013

27 Careers guidance for young people, Education Select Committee, 2013

28 16 to 18 year old participation in education and training, National Audit Office, 2014

29 Technical matters, building high quality technical and vocational route through the education system, Policy Exchange, 2013

30 What is happening with 17+ participation, attainment and progression in London? Institute of Education, University of London, 2014

in its first year the NCS had just 27,500 contacts from 16 to 18 year olds via phone, web chat, email or SMS, equivalent to just 1.4 per cent of the age group assuming each contact was from a different young person.

**Looking forward, careers advice to young people will need to adapt to the modern employment market where a job for life is increasingly rare.** Young people are now likely to have nine different careers over their lifetime. As well as guiding young people to make positive short term choices, careers advice and support will need to help build resilience, working with individuals to equip them with the tools to adapt their skills and experiences to new job opportunities and to positively handle change.

There is a great need to define and refine the role of careers advice in supporting young people throughout their journey through education and into adulthood. Government should set the tone of this nationally, but empower partners locally to create a local offer that meets the needs of different groups of young people across their town, city or county.

In our view government and councils should work together to:

- Clarify what careers information, advice and guidance pupils should expect to receive while at school and college, for instance in terms of minimum hours of face to face careers advice per pupil each year, and ensure schools are funded to deliver it
- Set out clearly how Ofsted will take into account careers advice provision into the school and college inspection framework, for instance by only awarding good and excellent judgements if institutions have good or excellent careers provision in place
- Return school accountability and improvement to local authorities, requiring all schools, colleges, the NCS and local authorities cooperate in improving careers advice provision across an area

## Protracted transitions to work: adapting to a new youth jobs market

**Young people starting their career today are far more likely to encounter a longer, more uncertain and hazardous transition to work**, including periods cycling between unemployment, insecure or short term employment and inactivity before getting a foothold in the jobs market.

Young people are now nearly twice more likely than adults to cycle between periods of unemployment and low pay. Young people in work are more likely to be underemployed and almost 60 per cent earn below the living wage<sup>31</sup>. When looking at both unemployment and underemployment, a third of the youth population's total capacity in the jobs market is going unused<sup>32</sup> with large variations across places that have been exacerbated by the recession<sup>33</sup>.

Employment services have not yet caught up. There are around 240,000 young people who do not claim Jobseekers Allowance (JSA) and so receive no government employment support, around 50 per cent of unemployed young people that are not in education. This has increased by 20 per cent since 2012.

**Young people that do seek help instantly fall into a benefit system designed for adults that have lost their jobs rather than to help them start careers**, and are pushed into any job as soon as possible. While this can suit some young people, for many it serves to stretch the transition towards sustained employment and increase the risk of disengagement. Over half of young people using Jobcentre Plus did not find it useful, and less than 1 in 10 found it very useful<sup>34</sup>.

**Vulnerable young people are least well supported by this approach**, because:

- Jobcentre Plus advisers are encouraged to move as many people off benefit as quickly as possible and have limited leverage over key supportive services, such as mental health, offender history, housing, addiction or family support
- Work Programme providers face a similar challenge in working with different services and payment structures pool 18 to 24 year old JSA claimants into one national payment group, risking providers lose focus on those that are harder to help<sup>35</sup> and on places with more entrenched long-term unemployment<sup>36</sup>. This can lead to larger investment in people and areas that need it least; in parts of Sussex one in three young people find work through the Work Programme, in Devon it is one in ten.
- Young people that spend two years on the Work Programme without finding a job face the 'toughest Jobcentre regime' including mandatory work activity and sanctions. So far, 8.4 per cent of young people claiming JSA have been sanctioned while the rate for over 25s is just 3.5 per cent<sup>37</sup>. In total 41 per cent of all sanctions are for 18 to 24 year olds.

31 Work in progress: low pay and progression in London and the UK, Inclusion, 2013

32 The excess capacity rate is the number of additional hours unemployed and underemployed people want to work, minus the excess hours that 'over-employed' people want to reduce their working time by, as a proportion of all the capacity available in the workforce.

33 Totalling Hidden Talent: youth unemployment and underemployment in England and Wales, Inclusion / LGA, 2014

34 Investigating the views of unemployed young people, TNS BMRB / LGA, 2013

35 The Work Programme, National Audit Office, 2014

36 Alright for some? Fixing the Work Programme, locally, Institute for Public Policy Research, 2014

37 Welfare sanctions and conditionality in the UK, Joseph Rowntree Foundation, 2014



**There is significant variation between places. The local authority with the highest number of young claimants has almost five times as many as the lowest.** The proportions of young people that claim benefits vary from 35.8 per cent in Hartlepool down to 5.5 per cent in Kingston upon Thames, nevertheless areas with lower proportions of young people who are JSA claimants may have large numbers of more vulnerable young people claiming Employment Support Allowance or Income Support as lone parents<sup>38</sup>.

**Young people pushed furthest from opportunities need experience of paid work as soon as possible.** The Youth Contract is being scrapped following its failure to help enough young people, just 20,000<sup>39</sup> starts falling well short of its aim to help 160,000 young people over three years, and approximately 80 per cent of those starts paying subsidy for jobs that would have existed anyway<sup>40</sup>.

Labour markets have been shifting for decades in a way that disadvantages young people, extending their transition to work and the period of instability and insecurity this brings, but with very different ramifications for young people around the country. We recommend government rapidly respond to this challenge, setting out a coherent national and working with councils to:

- Establish a jobs subsidy programme for the 220,000 young people very long-term unemployed devolved to councils working with local employers
- Ensure vulnerable young people successfully transition into the adult benefits system and removing them from the 'work first' principle that underpins the Jobcentre Plus and Work Programme
- Explore the development of a Youth Transition Allowance to replace Jobseekers Allowance for young people under 24 years old, financially supporting participation in learning and during job search
- Develop and pilot an approach for supporting work retention and in-work progression

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38 Hidden talents: national programmes for young people, Inclusion / LGA, 2013

39 Youth Contract Official Statistics, Department for Work and Pensions, 2014

40 Early evaluation of the Youth Contract wage incentive scheme, TNS BMRB / DWP, 2013

## Political apathy and falling trust: entrust and empower young people

**Young people vote less in the UK than in any other country in the European Union.** Just 38 per cent of young people under 25 have voted in any election in the last three years, 18 per cent less than the EU average<sup>41</sup>. Only 39 per cent think voting is a civic duty compared with 80 per cent of over 65s, this gap did not exist in 1964, and has quadrupled since 1992<sup>42</sup>.

The repercussions of this trend continuing are huge, for future generations of young people, and for the future of modern democracy. **But young people are far from disinterested in issues that affect them and their community,** today's young people are far more likely to:

- Volunteer, 35 per cent more young people are volunteering now than in 2010/11<sup>43</sup>
- Care for others, 20 per cent more 5 to 17 year olds were providing unpaid care in 2011 than in 2001<sup>44</sup>
- Engage in social issues, 66 per cent of teachers think 16 and 17 year olds were more engaged in social issues than their generation was<sup>45</sup>

Increasing political apathy is not driven by disinterest in community but an indication that **young people are losing faith in the role of the state to help them achieve their goals.** This is underpinned by a complex interaction of economic, social and technological factors, but is not helpful that four fifths of teenagers feel they are unfairly represented in the media, and that apathy reinforces the risk that governments prioritise the interests of older generations that elect them<sup>46</sup>.

The voice and influence of young people must be incorporated into the delivery of services that matter to them, with the aim of improving the responsiveness, accountability and quality of public services, but to also begin rebuilding their faith in public services and the wider political system. And skills and employment matter to young people more than anything, over 475,000 voted to ensure the Youth Parliament focused on: a curriculum to preparing young people for life, combating youth unemployment, and better work experience and careers advice.

The engagement must be structured and real. **Young people need to see and feel their influence over services, involved in developing, scrutinising and leading local services,** rather than drafted into remote focus groups or national surveys. The framework is in place, every single council already has a youth council or young mayor scrutinising and influencing local council services, but many services that matter, such as Jobcentre Plus and the Youth Contract, remain remote and unresponsive to young people.

41 European youth: participation in democratic life, European Commission, 2013

42 British Election Studies Information System

43 Community Life Survey, Cabinet Office, 2014

44 Unpaid care by 5 to 17 year olds in England and Wales, ONS, 2013

45 Introducing Generation Citizen, Demos, 2014

46 Introducing Generation Citizen, Demos, 2014

## Agenda Item 5a

Central and local government elected leaders and officials should work together to:

- Give young people a scrutiny and leadership role over the entirety of services to them regardless of their provider, including nationally contracted provision, careers advice, Jobcentre Plus
- Develop young people's local public service role as part of a wider learning programme preparing and supporting young people to participate in democratic processes
- Build a long-term strategy to give all future generations the tools, knowledge and hope that the state can and will respond to their concerns and aspirations.

# Recommendations and next steps

## Recommendations

Long-term public service reform is becoming unavoidable because youth unemployment will not be resolved by growth alone, because government will need to dramatically improve efficiencies across the system, and because the youth labour market is rapidly changing.

By and large, we know what works. A vast range of initiatives, institutions and policy-makers have continuously pointed to the success of joined-up services meeting the long-term individual needs of people and places. The challenge is organising public services to deliver it.

Based on what works locally we recommend that **the next government set out a clear and coherent strategy for supporting the successful transition of all young people**, delivered through decentralised models bringing together accountability and services around young people and employers in places.

Councils are perfectly placed to enable this, and local and central government should work together to:

**Replace Jobcentre Plus and the range of complex reengagement and advice initiatives with a Youth Transitions Service creating one locally coordinated and delivered offer supporting every 14 to 24 year old to participate education, employment or training**, through:

- Multiagency teams in service hubs offering independent and impartial careers advice, information and job search support to all young people at school, in post 16 education, and up to 24 regardless of their employment status
- Personal Advisers for vulnerable young people, providing consistent outreach support throughout their journey, delivering a personal participation plan and managing referral onto supporting schemes
- Locally commissioned engagement, basic skills and employability provision, and marshalling the market of other available services (such as provided by the voluntary and third sector) across local areas
- Aligning and co-funding wider service support for key services, particularly schools, health, justice, housing and family support programmes
- A nationally administered Youth Transition Allowance replacing Jobseekers Allowance and available to 18 to 24 year olds looking for work or in learning

**Decentralise existing spending on further education and apprenticeship support through Transition to Work Strategies providing coherent vocational education options for young people matched to the needs of local economies**, by:

- Planning and funding a coherent mix of 16 to 24 Further Education course and qualification options across institutions serving the needs of young people across the area and the brokered leadership of local employers
- Establishing Apprenticeship, Training and Experience Hubs increasing the number and quality of apprenticeship, traineeship, work experience, and advice opportunities for 16 to 24 year olds
- Focusing on progression and attainment by locally determining a mix of basic skills and employment programmes to help all young people gain Level 2 qualifications before reaching 24, and supporting in-work retention and progression
- Creating a single process for pupils to apply for their post-16 learning options across local areas, and for services to track the participation of young people

**Consolidate accountabilities and funding into locally convened 14 – 24 Partnerships responsible for delivering an agreed set of long-term outcomes through the Youth Transition Service and Transition to Work Strategies in their area, which would:**

- Be convened by partnerships of local authorities with government and include schools, colleges, training providers, universities, voluntary and community sector partners and other services
- Where possible, build on existing sub-regional partnership arrangements, such as Local Enterprise Partnerships, Combined Authorities, 14 to 19 Partnerships, or Employment and Skills Partnerships
- Strategically plan, commission, fund and deliver a planned mix of services in pursuit of achieving long-term outcomes for young people and the local economy
- Broker renewed relationships with all local employers, particularly SMEs, giving them the platform to genuinely influence demand-led provision, and create more opportunities for young people in return
- Give young people the responsibility and support to lead, develop and scrutinise provision and become active participating citizens, holding the Partnerships to account locally
- Focus on improving efficiencies across places, for instance better use of estates and capital spending or effective data sharing and collective ownership
- Work with a single national Department with overall strategic lead nationally, which would stagger the decentralisation to different partnerships over time in line with differing capacity and readiness

**Reform will take time, and there are large numbers of young people that need help now.**

In particular we recommend government take immediate action with councils in order to:

- Establish **a job subsidy programme for the 220,000 young people long-term unemployed**, delivered by councils working with local employers
- **Ensure every young person has high quality impartial careers advice and guidance at school** by giving partnerships of schools, colleges and councils funding to plan and commission independent an offer
- Enable councils to fulfil their duties to support participation by **making councils lead commissioners of services for vulnerable young people disengaged** or at risk of becoming so, and establishing clear lines of local accountability to ensure that the range of services best supports people
- **Realign the vast majority of public spending on apprenticeships to young people who are not already in work**, expanding the Apprenticeship Grant for Employers and devolving it to councils or Local Enterprise Partnerships
- **Remove vulnerable young people entering the adult benefits system for the first time from the ‘work first’ principle** that underpins Jobcentre Plus and the Work Programme

## Next steps

In this report we assess the future challenges for young people and public services and make recommendations built on the learning from what works locally.

We have introduced one option for creating a stronger school to work transition, and there will be others. Whatever the model, it is essential government positively work with councils to ensure all institutions coherently focus on a set of long-term ambitions for young people and local economies.

The risks of not getting this right are significant, for young people, for the economy, for the taxpayer, and for democracy.

Local government is committed to working with all partners to improve the outcomes for young people, and we look forward to discussing options for the future locally and nationally.

To advance this debate we will be publishing more detailed findings of our investigations over the coming months, including into:

- Careers information, advice and guidance for young people, working with the Centre for Economic and Social Inclusion
- Apprenticeships for young people, working with the Institute of Public Policy Research
- And support for long-term unemployed young people, working with the National Institute for Economic and Social Research

## Annex 1 – Services supporting youth transitions, by age

Service	Age	Support type	Department / Agency
Pre 16 schools (maintained)	14-16	Learning/ skills	Education/EFA
Pre-16 schools (non-maintained)	14-16	Learning/ skills	Education/EFA
Sixth Form Colleges (maintained)	16-18	Learning/ skills	Education/EFA
Sixth Form Colleges (non-maintained)	16-18	Learning/ skills	Education/EFA
Independent Sixth Forms	16-18	Learning/skills	Education/EFA
Pupil Premium	14-16	Participation	Education
Early Intervention Grant	14-19	Participation	Education
Further Education (16+)	16-18	Learning/skills	Education/EFA
Further Education (19+)	19-24	Learning/skills	Business/SFA
University Technical Colleges	14-18	Learning/skills	Education/EFA
School careers advice	14-18	Advice	Education
College careers advice	16-24	Advice	Education, Business
National Careers Service	16-24	Advice	Business
Apprenticeships	16-24	Training/placement	Business/SFA/NAS
Apprenticeship Grant for Employers	16-24	Training/placement	Business/SFA/NAS
Traineeships	16-24	Training/placement	Education/EFA/SFA
Council youth participation services	14-18	Participation	Education
Bursary Fund	16-19	Learning grant/loan	Education/EFA
Youth Contract – reengagement	16-17	Participation	Education/EFA
National Citizen Service	16-17	Volunteering	Cabinet Office/NCS Trust
Youth Engagement Fund	14-19	Participation	Cabinet Office
European Social Fund (ESF)	14-24	Employment	Work and Pensions/ SFA
Innovation Fund	14-18	Participation	Work and Pensions
Big Lottery Fund Talent Match	14-19	Participation	Other
Jobcentre Plus engagement pilot	16/17	Participation	Work and Pensions
ESF Youth Employment Initiative	16-24	Employment support	Work and Pensions
New Enterprise Allowance	18-24	Employment support	Work and Pensions
Fair Chances Fund	18-21	Participation	Cabinet Office/ Justice
Care to Learn	16-19	Learning grant/loan	Education/EFA
Residential Bursary Fund	16-18	Learning grant/loan	Education, Business



Residential Support Scheme	16-18	Learning grant/loan	Education, Business
Dance and Drama Awards	16-24	Learning grant/loan	Education
Jobcentre Plus	18-24	Employment support	Work and Pensions
Work Programme	18-24	Employment support	Work and Pensions
Youth Contract – wage subsidy	18-24	Placement	Work and Pensions
Help to Work	20-24	Employment support	Work and Pensions
Sector Based Work Academies	18-24	Employment support	Work and Pensions
Work Experience	18-24	Placement	Work and Pensions
Work Choice	18-24	Employment support	Work and Pensions
Troubled Families	14-24	Participation	Communities
Families with Multiple Problems	14-24	Employment	Work and Pensions
Youth Offending Teams	14-17	Participation	Justice/YJB
Discretionary Learner Support	16-18	Learning grant/loan	Education
Discretionary Learner Support 19+	19-24	Learning grant/loan	Business/SFA
Maintenance and tuition fee loans	18-24	Learning grant/loan	Business
Tuition Fee Grant	18-24	Learning grant/loan	Business
Adult Dependent's Grant	18-24	Learning grant/loan	Business
Childcare Grant	18-24	Learning grant/loan	Business
Parent's Learning Allowance	18-24	Learning grant/loan	Business
Disabled Students' Allowance	18-24	Learning grant/loan	Business
Career Development Loans	18-24	Learning grant/loan	Business
Jobseekers Allowance	18-24	Benefit income	Work and Pensions
Income Support	17-24	Benefit income	Work and Pensions
Employment Support Allowance	16-24	Benefit income	Work and Pensions
Disability Living Allowance	14-24	Benefit income	Work and Pensions
Carers Allowance	16-24	Learning grant/loan	Work and Pensions
National Insurance Break	16-21	Subsidy	HMRC







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## **Workforce Team Update**

### **Purpose**

For information and decision.

### **Summary**

This report provides members with an update on recent activity in negotiations, pensions and workforce strategy.

In particular, the report highlights activity on the future work of the National Joint Council following last year's pay agreement, the activity of some employment agencies in procurement, an update on ministerial priorities from the Department of Communities and Local Government, the end of pension contracting out and efforts to coordinate national activity on the care workforce.

### **Recommendations**

That the Resources Board:

- i. discuss and note the report; and
- ii. agree whether or not to issue a statement in the issues of good practice in procurement raised in paragraph 17.

### **Action**

Officers will take forward any actions agreed by members.

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## **Workforce Team Update**

### **Negotiations**

#### **Local Government Services**

1. Despite having reached a pay agreement for the period to March 2016 last November, on 22 April UNISON unilaterally lodged an additional pay claim for 1 April 2015. The claim was immediately and unambiguously rejected by the National Employers who expressed concern that the claim could threaten the credibility and ongoing viability of the national negotiating machinery.
2. On 3 June the full Trade Union Side tabled their pay claim for 2016/17. The headline claim is for:
  - 2.1. Deletion of NJC and all local pay points which fall below the level of the UK Living Wage (and deletion of GLPC pay points below London Living Wage) and a flat rate increase of £1 per hour on all other pay points;
  - 2.2. Retention and protection of Green Book Part 2 terms and conditions; and
  - 2.3. Fair treatment for school support staff through a joint review of term time working.
3. Councils will be consulted in the usual way during September. Members should contact their Regional Employer Organisations for details of their local pay briefing. Members are also asked to encourage their Leaders and Chief Executives to attend these events.
4. No pay claims for 2016/17 have yet been received in respect of local authority Craftworkers, Chief Executives and Chief Officers.

#### **Future work of the National Joint Council**

5. To support the taking forward of the joint agreement (made as part of last year's pay settlement) regarding the future work of the NJC a joint seminar was held in May. It was attended by national and lay representatives of the unions, LGA officers, regional employers, elected members and officials from DCLG.
6. It was agreed that, while pay negotiations will remain a key task for the NJC, it is also important for the NJC to address wider issues. The cycle of claim, rejection, shadowing-boxing, dispute and finally a settlement forms a difficult backdrop for this to happen, as well being very time-consuming.
7. There was a wide level of agreement that it is worthwhile for the NJC to attempt to maintain and develop its relevance through some practical projects. The NJC needs to find ways to increase its general profile, in a sense by being more of a brand. This may involve more joint statements and greater general use of NJC badging.
8. It was suggested that the Joint Secretaries should explore the idea of developing a broad partnership forum which would be distinct from the NJC itself. The NJC would retain the

remit for bargaining and agreements but could conceivably be a sub-committee of the proposed partnership forum. The forum could include representatives of the wider group of employers who use NJC terms and conditions as well as other suitable groups.

9. It was agreed that whatever mechanisms for discussion are set up, one important area of joint concern to work on is the process and consequences of increasing numbers of transferring staff as public sector reorganisation continues. Consistent national frameworks can make this process much smoother rather than having to negotiate things afresh each time.

### **Schoolteachers**

10. The outcome of the consultation on the School Teachers' Review Body's report on teachers' pay for 2015/16 has been delayed, whilst Ministers consider their priorities. In the meantime the LGA continues to work with DfE, teacher unions, local authorities and others to influence teachers' pay reform, treading a path between most schools' desire for consistency and stability on the one hand and a Government push for deregulation and innovative practices on the other.

### **Youth and Community Workers**

11. The National Employers will be holding a series of regional consultation sessions in September. The focus of these sessions will be to seek the views and evidence of local authorities and the voluntary sector on how the service is delivered at present and the work-life balance of employees. This follows representations made to the Employers by the Staff Side which has raised concerns about the current workload arrangements. The National Employers also want to open up dialogue with local authorities on whether there is continued support for separate national bargaining arrangements for youth and community workers, as we are aware that increasingly authorities have assimilated youth and community workers onto their single status pay structures.

### **Fire Service**

12. Under the auspices of the National Joint Council for Fire and Rescue Services, a number of joint work streams are currently in operation looking at a wide range of issues including medical response (including co-responding), environmental challenges, multi-agency response inspection and enforcement and youth and wider social engagement in the context of potential broadening of the role of firefighter.
13. The first phase of this work has drawn to a close. The detailed work and progress was considered by members of the NJC when it met in June. It was agreed that the work was on track and should therefore move into the next phase to consider which aspects should be taken forward at national level and how
14. Agreement has been reached on a 1% pay award for employees covered by this NJC. The award will apply from July 2015
15. Agreement has also been reached on a 1% pay award for senior uniformed managers. This group is covered by the NJC for Brigade Managers. The settlement date for this group is January and the award will apply from January 2015.

**Procurement: Employment agencies and use of ‘umbrella companies**

16. In some cases employment agencies providing workers and services to local authorities have been found to be engaging the workers through ‘umbrella companies’ in order to avoid paying employer NICs and to reduce the cost of workers’ rights such as pensions, holiday and sick pay. Such practices are according to HMRC technically within the law provided the umbrella company is properly constructed and workers get at least the minimum wage. However, there are concerns that this practice leads to unfair discrepancies in the treatment of workers. A statement urging public bodies to avoid procuring services from companies who operate in this way has been made by the Welsh Government as part of their Procurement Advice Note.
17. Members are asked to consider the extent to which they think it is a reputational issue for authorities to be seen to be working with suppliers who treat workers in this way, and whether the LGA should issue a policy statement encouraging authorities to ensure that their procurement practices seek to prevent such discrepancies.

**Update on Communities and Local Government Department (CLG) Activity**

18. Workforce team and CLG officers met recently for a post-election briefing on ministerial priorities. Further engagement will be required on all the issues highlighted and briefings will be provided to members as necessary. The issues highlighted were:

*National Minimum Wage (NMW)*

19. The Conservative manifesto pledged to raise the NMW to £8 per hour by 2020. By October of 2015, there will be a 36p cushion between NMW (£6.70)<sup>1</sup> and the new lowest scale point of the Local Government scale (£7.06). However, assuming pay increases of 1% in each year to 2020, which feels realistic, there will be a notional 58p deficit by that stage. The National Employers will need to work with councils to plan how to comply with legislation and also retain some cushion if possible.

*Strike ballot/strike thresholds legislation*

20. The Government is moving rapidly to introduce strike ballot and threshold requirements across the economy with an additional threshold in “essential public services”. The LGA has noted that although the primary motivation is to save the public from risk and inconvenience, the legislation should be framed in a way that encourages positive industrial dialogue. It would appear from the briefing that one of the risk factors is that the definition of essential public services will be based on the services themselves rather than on specified bargaining groups with common terms and conditions. In Local Government this could mean questions over which staff are covered by “education” as a service definition for example. There may then be disputes and potential litigation over whether or not the required threshold has been met because of fuzzy definitions of the relevant workforce. The LGA called for careful consultation over the detail immediately after the election and the team will work with officials as necessary.

*Fluent English-speaking requirement for all public-facing employees*

21. The basic idea that any staff in public-facing roles should speak fluent English is very reasonable; issues emerge over the detail of deciding which groups of staff should be covered and also how to accommodate basic employment rights. It would seem preferable if the requirement was to be couched as a general duty with individual organisations working out how best to apply it in their circumstances and when it might

<sup>1</sup> A further increase in the NMW is likely to be announced shortly which could reduce this cushion significantly



become unavoidable to sack someone. There are also potential cost issues which could fall into the new burdens category if employers are required to organise examinations and remedial training.

*£95,000 cap on “exit” payments in the public sector*

22. The Government is moving rapidly to put a cap of £95,000 on public sector “exit” payments by 2016. There are major areas of detail that need to be worked out, such as what is counted as an exit payment which hopefully will not include pension fund adjustments. The workforce team will work with regional colleagues to assess the situation in individual councils so that we are able to focus suggestions effectively in consultation. It is important to be on the front foot on this issue and to make the point that councils are well ahead of the rest of the public sector in tightening up redundancy costs. We must also be aware of the risk of a spike in senior managers leaving before the new rules come into force.

*Review of the Redundancy Payments Modification Order (RPMO)*

23. Members will be aware that in the context firstly of the new public health system and secondly the wider integration of health and care services, the inability to offer full continuity of service for staff moving between the NHS and local government is becoming a major barrier to recruitment of skilled staff. As a result, the LGA has had discussions with the Cabinet Office as well as Public Health England and others about regulatory change to the RPMO which gives listed organisations a “family” relationship with councils over continuity of service for redundancy purposes.
24. However CLG officials indicated that counter to our ideas, there has been some consideration of tightening the rules around which organisations can be covered by the RPMO with concerns apparently expressed about leisure trusts etc. The LGA made it clear that any such moves would cause considerable concern and reiterated views about the relationship with the NHS. It may well be the case that the RPMO which is now around thirty years old does need some tidying up and refreshing but this must be done in a way that facilitates rather than hinders major restructuring of public services.

## **Pensions**

### **LGPS and new service delivery models**

25. The pensions team have been working alongside other parts of Workforce to assist councils in designing new models of service delivery taking into account the potential impact on LGPS costs.
26. Where employees transferred to new arrangements have limited or no access to the LGPS these potential impacts include:
- 26.1. Increased future service costs for the remaining LGPS membership of the council as the age profile of those members increases.
  - 26.2. Significant percentage increases in deficit contributions due to a smaller payroll
  - 26.3. Increased cash payments to or in some cases full settlement of deficits due to shorter recovery periods and 'crystallisation' regulations.

27. Councils are being urged to contact their LGPS fund to ensure the financial impact of changing LGPS membership due to new models are service delivery is fully costed and included in the business case prior to consideration by elected members.
28. To support councils the pensions team led a session at the LGA's Conference on HR implications of service delivery models earlier this year and have published a 'Pensions guide for councils moving to a new model of service delivery'.

#### **Ending of contracting out**

29. Following the general election the pensions team have re-opened talks with HM Treasury regarding the loss of 3.4% NI rebate from April 2016 as a result of the ending of contracting out. The impact on LGPS employers is estimated at some **£795m** per annum. Employees in the LGPS will also lose their rebate of 1.2%.
30. The previous Chief Secretary to the Treasury gave the LGA an undertaking to revisit our request that all or some of this money be recycled to scheme employers as part of the 2016 financial settlement. In the meantime LGA officers have worked with those at DCLG to refine an effective distribution methodology should any monies be forthcoming.
31. Initial talks with HMT officials have not been encouraging and the indications are that councils will have to shoulder the full cost of the increase in NI with no offsetting by any additional funding from HMT.
32. Linked to the ending of contracting out is the requirement for LGPS funds to reconcile their 5 million member records with those of HMRC. This exercise is estimated to cost around **£100m** and may result in significant alterations to pensions going forward and the discovery of considerable over/under payments. Subject to legal advice currently being taken by HMT LGPS funds may also have to cover additional pension increases estimated at **£200m** per annum. LGA officers are participating in cross departmental discussions with the objective of limiting the financial impact on pension schemes.

#### **Local Government Pension Scheme: Deficits**

33. The LGPS Scheme Advisory Board (on which the LGA provides the majority of employer representatives) at the request of the minister is developing options to deal with the levels of deficits in LGPS funds in the lead up to the 2016 valuation of those funds. A full report on these options will be brought to the next meeting of Resources Board.

#### **Strategy**

##### **Social Work**

34. The Workforce team, together with the PPMA and other Social Work stakeholders, is planning a Return to Social Work campaign, to encourage people who have left the profession to return to practice. This will be launched after September, with the aim of increasing the supply of experienced social workers into councils.

### **Flexible Working**

35. Following the recent announcement that 14.1 million people would like to work more flexibly, the LGA and Timewise are looking to seek expressions of interest from councils who would like to explore how flexible working brings solutions to the challenges facing local government.
36. The Timewise council initiative involves developing improvement plans around the following five areas: Leadership; Workforce; Residents; Local Employers; Market shaping; and Commissioning.

### **The Care Workforce**

37. The on-going challenges over the provision of care services are an endemic feature of life at the moment. Funding is a key issue of course but it has become clear over recent months that a focus on workforce development is a growing priority for Government and others. The problems are considerable because services are largely commissioned and the workforce of around 1.45 million is spread across many thousands of employers, many of which are quite small. The growth of personal care commissioning further complicates matters.
38. There is a strong sense that the LGA has a big role to play in bringing together key national organisations to help facilitate change. Councils need to be at the hub of workforce development for networks of providers and consistent approaches are needed to skills development as well as a dialogue about difficult issues such as pay.
39. Members will be aware of recent discussions with Skills for Care about a beneficial alignment of work programmes. The latest element of these discussions involves the drafting of a paper providing a shared understanding of priority workforce issues which also involves the Association of Directors of Adult Social Services (ADASS). This paper will be further reported to members in due course. The opportunity is being taken to ensure that the work being done generally on the adult social care workforce aligns with specific support programmes around the Better Care Fund, implementation of the Health and Social Care Act, integration pioneers and vanguard sites etc. Many elements of the generic support programme run by the workforce team are applicable in these contexts and one important task is to map and understand all these support offers and make sure they are complimentary.

### **Senior Management Casework**

40. Post- election there has been an increase in the level of senior management casework. The strategy team in partnership with the relevant principal adviser is currently advising five local authorities on complex and highly sensitive employee relations cases. These include a collective grievance lodged against all of the senior managers at a district Council and the negotiated departures of the chief executive from a London Borough and unitary Council in the South East of England.



## **Local Government Finance and EU Funding Update**

### **Purpose of report**

For information.

### **Summary**

This report updates the Board on activity and policy developments in local government finance and EU Funding since the last Board meeting. It excludes matters covered elsewhere in the agenda.

### **Recommendation**

That the Resources Board notes the content of the report.

### **Action**

LGA Officers to proceed as directed by Members.

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## **Local Government Finance and EU Funding Update**

### **July Budget**

1. The Chancellor presented the Budget on 8 July. It was accompanied by revised fiscal and economic forecasts by the Office of Budget Responsibility. As usual, the LGA provide an on-the-day briefing.
2. A report for the 15 July meeting of Leadership Board which describes the announcements and the LGA's activity and plans for next steps will be circulated on a supplemental agenda.
3. Prior to the Budget, the Chancellor announced in-year reductions to spending by government departments of roughly 3 per cent. This was a mix of one-off measures, such as sales of assets, and management of underspends.
4. This announcement included a reduction to the public health grant received by councils worth £200 million. The Department of Health will consult on how this reduction will be implemented, and on what basis. At the time of writing, the consultation had not been published – officers will update members of the Board should such an announcement be made prior to 17 July.

### **Interim Future Funding Outlook 2015**

5. The LGA launched an interim update to its Future Funding Outlook analysis in late June. It concludes that councils will face a funding gap of £9.5 billion by 2019/20. It was cleared by Lead Members of the Board and is attached availilbe on the LGA website here: <http://www.local.gov.uk/documents/10180/11531/Future+Funding+Outlook+interim/39ad19fb-e5d8-4a2b-81a8-bf139497782d>.
6. This forecast was based on estimates of public spending put forward by the Office for Budget Responsibility and the Institute of Fiscal Studies at the time of the March 2015 Budget. Since then, the political context has been altered significantly by the result of the general election.
7. As a result, the figures are provisional and will be revised following decisions made by the government in the July Budget and the autumn Spending Review. For example, should the government decide to include an equivalent to the in-year reductions to government departments as an add-on to reductions expected for 2016/17, this would increase the funding gap by 2019/20 to £10.3 billion.

### **LGA annual conference and the Spending Review**

8. The LGA held its annual conference in Harrogate from 30 June to 2 July. The event included various local government finance-related sessions and was accompanied by the launch of 'A Shared Commitment: Local Government and the Spending Review' (abbreviated as 'A Shared Commitment'). It is the LGA's position statement in advance of the upcoming Spending Review.

9. This report has been prepared in the context of:
  - 9.1. Previous LGA campaigning documents, such as 'Rewiring public services' and 'Investing in our nation's future' (100 days);
  - 9.2. Reports by the Cities Commission, Non-Metropolitan Commission and the Independent Finance Commission;
  - 9.3. Ongoing discussions with LGA Board members and officials in various government departments on emergent policy issues.
10. The central idea of the report is that smarter spending is equally as important as the level of spending, with local authorities at the heart of the changes that need to be made to deliver the plans of the new government related to public services, economic growth and the fiscal landscape.
11. The submission proposes three aspects which need to be addressed in order to tackle these challenges:
  - 11.1. We need more freedom and flexibility over raising resources to ensure the burden of local taxation is spread fairly and sustainably. Adult social care funding pressures in particular need to be met adequately in order to avoid issues across the public sector, such as within the NHS, as well as within local government budgets.
  - 11.2. We need to be able to do things differently through public service reform, such as further integration of health and care services, smarter planning of meeting the demand of school places and managing the driving factors behind the welfare bill.
  - 11.3. We need to have a more significant influence over how funding on skills, employment, infrastructure and other facets of economic growth is spent locally to ensure that places form prosperous local economies.
12. It covers a variety of policy areas, such as social care, health, economic growth, infrastructure, employment, housing and fiscal devolution. It was seen by Lead Members of the Board in draft form, with final clearance provided by the Executive in June.
13. While for all intents in purposes this is intended to be the LGA's definitive Spending Review position, officers will continue to track developments in the policy agenda and in case of pressing need will recommend any required amendment to the proposals set out in the paper.
14. The report is attached in available on the LGA website here:  
[http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review\\_WEB\\_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5](http://www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5).

### **Business rates reform**

15. The LGA has responded to the government's call for evidence on its business rate review, expected to report by Budget 2016. It was prepared in consultation with cleared by Lead Members of the Board and is available on the LGA website here:  
<http://134.213.15.24/documents/10180/11411/Business+rates+review+response/29cb938c-2616-46a2-bd00-86f718790263>.
16. In the response, we have called for:
- 16.1. Retention of the property basis of business rates, but a revision of the definition of 'rateable occupation' in order to minimise the scope for avoidance when it comes to determining whether the property is occupied for chargeable reasons.
  - 16.2. Reform of the appeals system to minimise the risk and uncertainty to local government.
  - 16.3. The ability to locally set business rates, exemptions, discounts and reliefs.
  - 16.4. Movement to full retention of business rate income, with a corresponding adjustment to the funding mechanism to ensure no council is worse off as a result.
  - 16.5. Reversal of the safety net topslices which are unnecessary based on forecast business rate income in 2014/15 and 2015/16.
17. The scope of the review is wide-ranging and various stakeholders are likely to have competing opinions on the future of the system. We will continue to engage with government and other stakeholders in the run-up to the announcement of reforms to ensure we get the best deal for local government.

### **EU Funding**

18. Cllrs Sparks and Porter met the new Minister responsible for EU funding, James Wharton MP, Parliamentary Under Secretary of State at CLG on 13 June. They reiterated the disappointing decision made previously not to give local areas (39 LEP EU funding committees) strategic oversight over how when and on what EU investment is deployed locally. They suggested that the time was right to revisit the decision and look at ways in which devolved powers could be offered to local areas. They agreed to work together over the next year on ways in which that could be done, with a view to the twelve month review being an opportunity to assess current arrangements.
19. LGA and Local Enterprise Partnership (LEP) representatives attended the Growth Programme Board (GPB) on Monday 15 June. The Minister stressed the importance of positive central and local relationships within the European programme, and expressed his strong intention to keep under review practical devolution of powers and responsibilities from central government to local partners (which in principle can include looking at Intermediate Bodies). He added that he did not wish to raise unrealistic expectations, and wanted to ensure there were appropriate protections for the tax payer and the Department.



20. LGA and LEP representatives raised a number of matters including:
- 20.1. local partners' concerns over central Government's failure to provide clarity on match for the areas eligible for the £160 million Youth Employment Initiative (YEI);
  - 20.2. the risk that partners on local ESIF sub-committees would "walk away" if they feel their input was disregarded;
  - 20.3. Pushing for greater clarity and coordination between government departments on project call activity planned after July 2015; and
  - 20.4. the issue of local Co-Financing Organisations (CFOs) - LGA submitted a position paper to DWP and DCLG which challenged their rationale for not enabling councils to apply for CFO status in the 2014-20 programme. DWP will follow this up with a separate discussion.
21. In an interview with the LGA First Magazine the Rt Hon Greg Clark MP Secretary of State for the Department for Communities and Local Government (DCLG) gave a very clear indication that the current arrangements were not a permanent solution and that he would push for greater local management of ESIF funding. See [http://issuu.com/lgapublications/docs/new\\_first/17?e=16807299/13783391](http://issuu.com/lgapublications/docs/new_first/17?e=16807299/13783391)
22. There may be announcements in the Budget 2015 (8 July 2015) on local areas being awarded enhanced freedoms and flexibilities over their EU spend as part of a wider devolution package. A verbal update will be provided.
23. Cllr Sue Murphy (LGA Resources Board Lead Member for EU Funding) chaired a workshop at the LGA Annual Conference in Harrogate. The session Access to EU funding opportunities 2014-20: Experiences from the ground, included speakers Chris Pomfret (Cornwall and Isles of Scilly Local Enterprise Partnership LEP), Andrew Lewer MBE MEP (European Parliament - Brussels) and Adri Hartkoorn, Programme Manager, City of Rotterdam.
24. Key themes discussed included local operational experience of the first few months of the European Growth Programme, the extent of local partners' influence on project funding determinations and the state of relations between local and national stakeholders. There was general agreement amongst delegates and speakers that local partners need to confidently demonstrate their capacities to take on greater roles in deciding how EU funding is spent, in advance of any formal review of governance arrangements. This would provide a much greater rationale to insist that the European funding programme was brought into line with devolution discussions happening in other parts of government. Speaker presentations will be available to download from: [www.local.gov.uk/european-and-international](http://www.local.gov.uk/european-and-international).

25. This workshop also formally launched the LGA publication “2014 – 2020: A guide to EU funding for councils - July 2015”; developed in conjunction with local authority practitioners, the guide details over 30 EU funds and loan schemes worth over €20bn to local areas in England. It also includes case studies and useful tips to help councils demystify the wide range of EU funding opportunities now available. 2014-20: A guide to EU funding for councils (July 2015) can be downloaded from:  
[www.local.gov.uk/european-and-international](http://www.local.gov.uk/european-and-international).

## **Adult Social Care Next steps: ‘Creating a Better Care System’**

### **Purpose of report**

For information and discussion.

### **Summary**

This report provides some background information to the attached Ernst and Young (EY) report which closely mirrors the LGA’s position on the future of integration of health and social care as set out in ‘A Shared Commitment: Local Government and the Spending Review’.

### **Recommendation**

That the Board note the content of the attached report.

### **Action**

LGA Officers to proceed as directed.

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## **Adult Social Care Next steps: ‘Creating a Better Care System’**

### **Background**

1. Adult social care funding and integration with health has been, and continues to be, one of the main areas of local government policy developments. The government’s priority is to protect the NHS while upper tier councils are facing the challenge of increasing demand for social care, within a context of a 40 per cent real terms reduction to core grants over the last Parliament.
2. Within this backdrop, the Community Wellbeing Board commissioned an independent report which provides an overview of positions of various parts of the public sector with regard to the future of the health and care system and suggests a way forward. The members of Resources Board have also expressed an interest in this policy area.
3. The report, title ‘Creating a Better Care System’, is attached as **Appendix A**.

### **Overview of the paper**

4. Figures show that 30 per cent of health and care service users use almost 70 per cent of the health and social care budget and the LGA has long warned that the adult social care system is under immense and growing pressure.
5. As a result, the report recommends a pooled health and social care budget of at least £6.6 billion in 2016/17, eventually leading to the pooling of all money for health and social care.
6. However, the central proposition of the report is that a bigger pooled budget needs to be supported by a £1.3 billion a transformation fund each year until 2019/20, equalling a fund of £5.2 billion by the end of the decade. This is a condition for development of a new health and social care system and would enable some double running of new investment in preventative services alongside ‘business as usual’ in the current system, until savings can be realised.
7. EY suggests this transformation fund should focus on preventative measures and aim to prevent complex and long-term conditions, which can cost the system almost £88 billion each year - a cost that is growing with the ageing population.
8. It identifies the significant contribution that preventative measures can make. For example, spending just £1 on local friendship networks can save almost four times that amount on mental health services whilst £1 spent on school-based smoking and bullying prevention can save as much as £15.

### **The LGA’s response**

9. The LGA has accepted the general principles that underpin the proposals contained within the report.

10. This is reflected in 'A Shared Commitment: Local Government and the Spending Review', a report which was launched as a headline publication in the annual LGA conference. The report calls for:
  - 10.1. A bigger and improved Better Care Fund which could become as large as £55bn on a proportionate contribution basis;
  - 10.2. A £1bn annual transformation fund which would underpin the transition from reactive to preventative behaviours in the health and care system;
  - 10.3. As a precondition for the above, the funding gap that faces adult social care services, estimated to be growing by at least £700m a year, should be met in full.
11. As part of her opening remarks in a health and social care plenary session at the LGA annual conferences, Chair of the Community Wellbeing Board Cllr Izzi Seccombe mentioned that filling the adult social care funding gap should be prioritised, even if it means a delay in implementing Phase 2 of the Care Act reforms. This has since been followed up with letters to Jeremy Hunt MP, George Osborne MP, Greg Clark MP and Alistair Burt MP.
12. LGA officers continue to discuss these proposals with officers from the Department of Health, the Department for Communities and Local Government and HM Treasury.

#### **Next steps**

13. LGA officers will continue the discussions with government departments ahead of the upcoming Spending Review.
14. The Show Us You Care campaign and the Future Funding campaign will continue to highlight these messages through various follow-up activity, including arranging meetings with Ministers.
15. This approach allows the LGA to stay flexible and sensitive to changes in circumstances during the course of the summer, up until the formal government deadline for input into the Spending Review process.



# Creating a better care system

Setting out key considerations for a reformed, sustainable Health, Wellbeing and Care system of the future

June 2015

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Building a better  
working world

# Executive summary

## Background

In Winter 2014, the Local Government Association commissioned EY to support the development of a description of better care and support.

Local Government and the NHS have made significant progress toward improving outcomes, experience and quality for individuals despite a challenging financial climate and increasing demand, expectations and market pressures. However, a number of recent publications by the LGA and partner organisations have set out the residual risk to mental and physical health, wellbeing and inclusion, quality and safety and financial sustainability as a result of chronic underfunding and barriers in the current system.

## Purpose of the document

This document is developed together with the LGA and reflects a review and consolidation of existing work and national and local views. It is designed to prompt debate at a national and local level regarding:

1. The framework for the future system
2. The key system changes required to enable this vision to be delivered

The document aims to do this through setting out:

1. The vision for the future
2. Key barriers preventing this being achieved
3. Key changes that will help to remove these barriers

## Approach

The document has been developed through:

1. A review of existing literature published by partners, charities and research organisations
2. Four workshops with the LGA and partners to define the vision, understand the system barriers from a range of perspectives and describe the required changes
3. Further discussion with regional contacts and the Health Transformation Task Group to sense check that barriers and key considerations are locally relevant and reflect the experience in local areas

This document is a summary of the findings and conclusion from the above activity, reviewed and approved by the LGA.

## Scope and signposting

The scope of this document is to:

1. Set out the high level vision and elements of a new service
2. Define the systematic barriers to change
3. Develop a set of key areas of focus for system improvement discussions

We recognise there are limitations on the level of detail we have been able to explore in certain areas. Within the report we were keen to not repeat or dilute the extensive existing work completed or underway on certain topics for example: the full extent of prevention good practice and the future role of Health and Wellbeing Boards, Commissioning for Better Outcomes. Page 10 outlines some of the key documents that describe these in more detail and work is ongoing between LGA and NHS Clinical Commissioners (NHSCC) to define the ongoing role of Health and Wellbeing Boards (HWBs) in place-based commissioning.

### Disclaimer:

In carrying out EY's work and preparing EY's report, we have worked solely on the instructions of the Local Government Association and for the Local Government Association's purposes. The views and ideas in this document are reflective of those of the sector gained through significant engagement with the LGA and partners. They have been consolidated by EY in this report. EY's report may not have considered issues relevant to any third parties. Any use third parties may choose to make of EY's report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. EY's work was completed in April 15 and is therefore reflective of available information at this time. EY's work has not been performed in accordance with generally accepted auditing, review, or other assurance standards and accordingly does not express any form of assurance. None of the services outlined or any part of this report constitutes any legal opinion or advice and does not form a review to detect fraud or illegal acts.



# Executive summary (cont'd)

## Everyone wants to see a health and care system that delivers better care for people. This means:

- ▶ People staying healthy and enabled to prevent ill health in the community
- ▶ People in control of their own care and remaining independent
- ▶ Care that is responsive to people's needs, is safe and seamless between different parts of the system
- ▶ A system that delivers better outcomes for every pound spent

## There have been huge strides in improving the health and care for people:

Highest performing health system of 11 industrialised countries

Delayed transfers from hospitals due to lack of social care availability fallen

250,000 personal care budgets across England

Introduction of Integrated Personal Commissioning

## But there is a lot more that needs to be done:

- ▶ The vast majority of time and resources is spent on treating people, rather than helping them to stay healthy and independent in the first place
- ▶ The chronic underfunding of the system driven by increasing demand and changing demographics, is compounding the problem, pushing already stretched resources into firefighting the current crisis of increasing ill health
- ▶ When people do receive care and support services, too often they experience disjointed care, moving between services without regard to the person's wider needs, abilities or home environment
- ▶ The current commissioning structures are fragmented, preventing local commissioners from responding effectively to the needs of the local population
- ▶ National payment systems across health and social care incentivise a focus on treatment over prevention, limiting commissioners ability to invest in long-term solutions based on the needs of the local population
- ▶ Central rules and processes hinder the ability of local health and care systems to work together in the best interests of local people, forcing them to look 'upwards' to the centre rather than outwards to the citizen

- ▶ People with long-term or complex needs interact with both NHS and social care services, costing the whole system **£87.9bn**. Better care for these people means transforming services across health AND care AND wellbeing.
- ▶ At a local level, the needs of the whole population differ and the way people interact with services varies. This means a model of care which is flexible to local circumstances so people achieve better outcome overall is needed

# Executive summary (cont'd)

**Fundamentally the sector feels an integrated devolved system, supported by the right infrastructure and national framework is required. To deliver this, additional pooled funding of at least £6.6bn from 16/17 is needed, plus an injection of £5.2bn by 2020 into the health and care system to drive prevention and put the health and care system onto a sustainable footing.**

## Put people in control:

- ▶ Involve councils and Health and Wellbeing Boards in setting the strategic direction of primary care commissioning to include social care and public health and embed prevention across all services
- ▶ Strengthen the focus on prevention within the NHS New Models of Care
- ▶ Facilitate multi-disciplinary training of staff around personalisation, prevention and community resilience
- ▶ Expand integrated personal commissioning across health and care, with the aim of an additional 250,000 personal health and care budgets by 2020

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## Fund services adequately and in an aligned way:

- ▶ Support the system through **c.£5.2bn** additional transformational funding by 2020 invested in prevention and support to stay well.
- ▶ Create a pooled budget of between **£6.6bn** rising to **£141.1bn** by 2020 to drive unified Health and Social Care Commissioning
- ▶ Align social care and health funding settlements over a five year period – recognising the fact that health and social care are inextricably linked
- ▶ Review the ability to borrow to maximise the impact of transformational funding
- ▶ Accelerate the Barker recommendations to review funding options to remove the eligibility cliff edge that exists between health and social care, and to increase entitlements for carers

## Integrate and devolve commissioning powers, moving to a place based approach:

- ▶ Greater local control and freedom over pooled budgets, supported by integrated systems – to break down silos and to allow local innovation to better respond to local needs and outcomes whilst upholding the high quality standard and values we know are key
- ▶ Devolve national commissioning budgets across NHS England, Public Health England and Government
- ▶ Recognise Health and Wellbeing Boards, with greater local flexibility, as the vehicle for place-based commissioning, with stronger joint operational supporting infrastructure – to integrate commissioning and delivery around the needs of the local population

## Free the system from national constraints:

- ▶ Replace the tariff in the NHS with capitated accounting and payment mechanisms – to ensure incentives on the system are directly linked to the outcomes of an individual
- ▶ Align planning cycles across health and social care – recognising the inextricable relationship between the two
- ▶ Greater freedoms and powers for local areas to address local public health issues
- ▶ Develop a sector-led single set of tools for quality assessment across health, care and wellbeing
- ▶ Review the reporting arrangements for regulator bodies and align their mandate to support local economies to deliver on their outcomes

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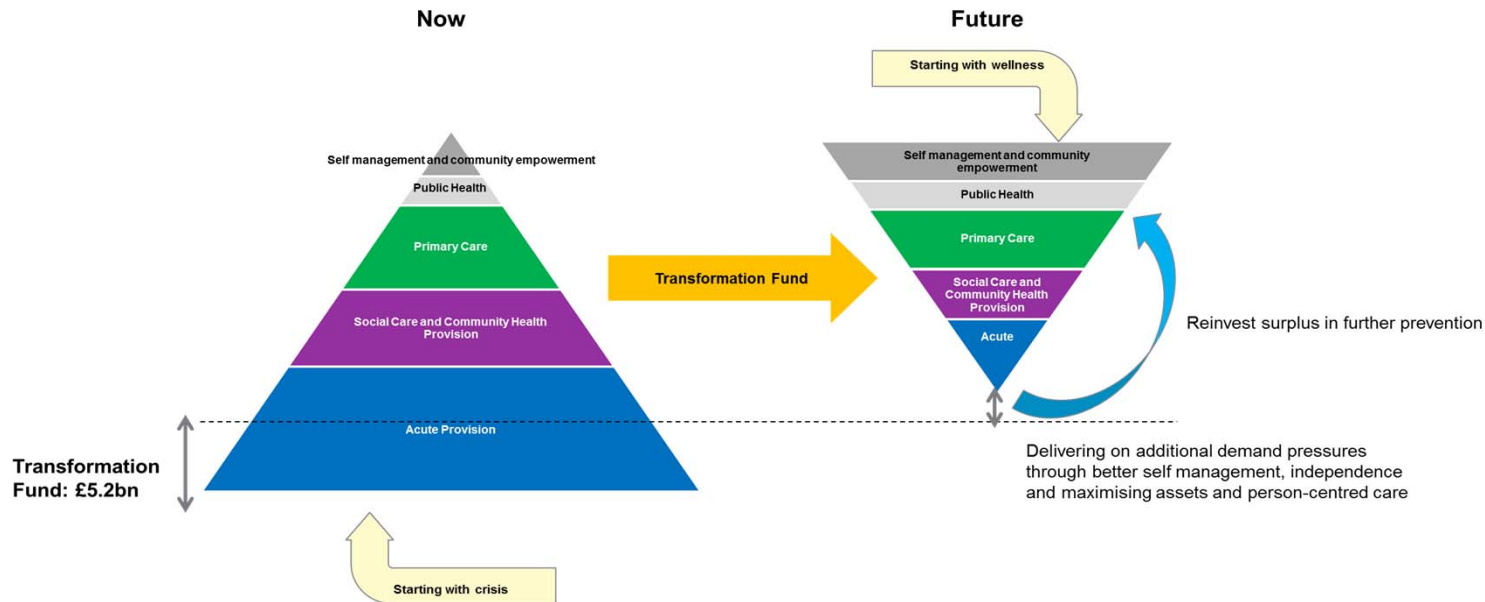
# Executive summary (cont'd)

The sector needs to value all parts of the system to deliver a sustainable offer. The system needs to work as one and that can only be achieved when there is a recognition and acceptance of the need to ensure both are funded sustainably.

If these changes are made, people's wellbeing, care and support will be radically improved:

- ▶ More people will be supported to stay well and remain independent at home
- ▶ More people will have a greater choice and will be in control of the care they receive
- ▶ People will receive better quality, more joined-up care tailored to the them, leading to better outcomes

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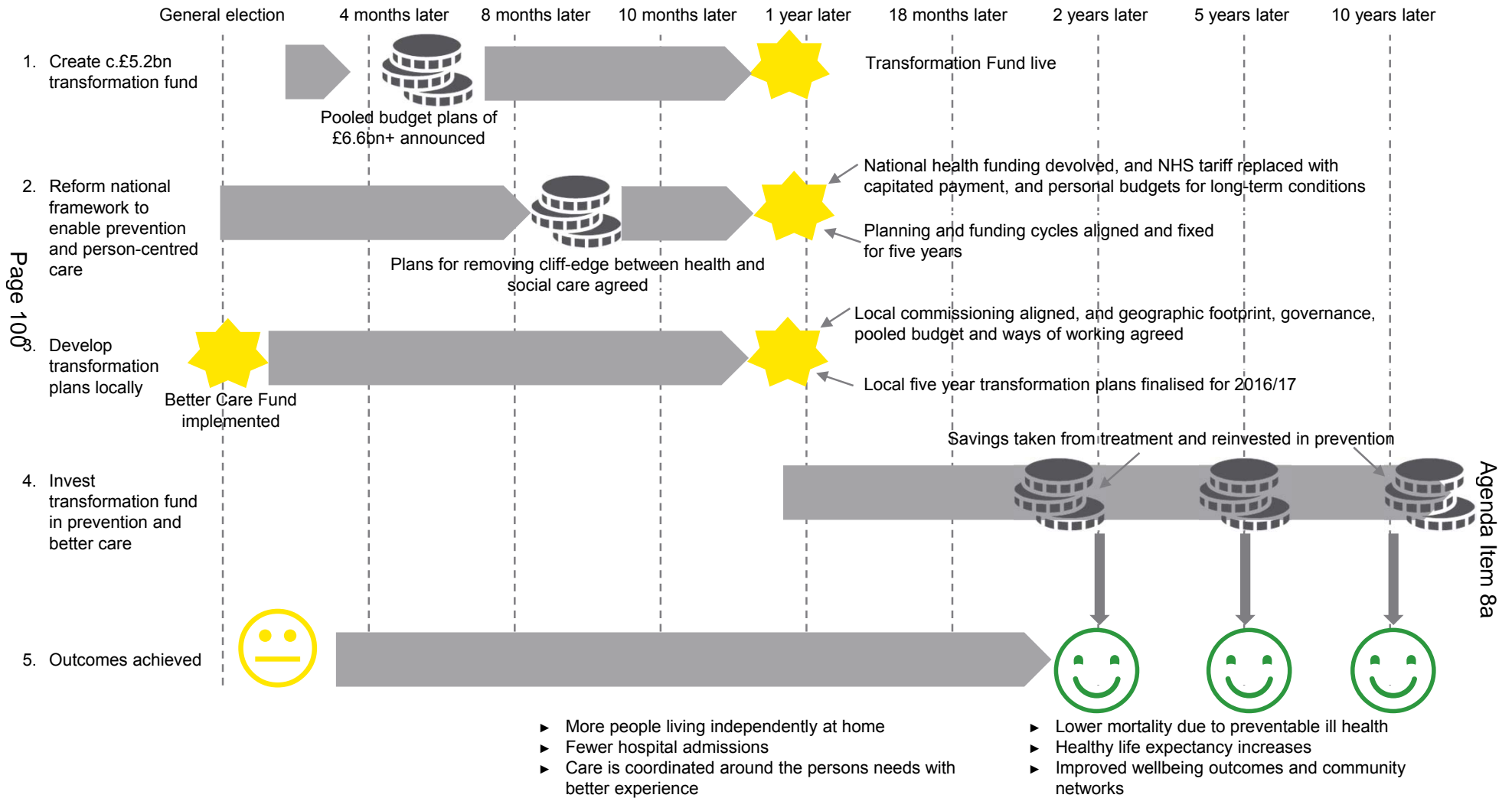
Agenda Item 8a

As a result, the system will be more effective:

- ▶ There will be significantly increased investment in prevention, self care and community resilience, leading to fewer costly hospital admissions
- ▶ The system will be more financially sustainable, with the potential for a financial surplus which can be reinvested into delivering even better care and support

# Executive summary (cont'd)

## The steps to better health, wellbeing and care driven through place-based solutions:



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# Executive summary (cont'd)

## What will the changes mean for Mrs Brown, her son and carer Jack and her granddaughter Yasmin?

### It's 2015

Mrs Brown is 75 and lives alone at home in a deprived area of Anytown. She doesn't know many people. She has had diabetes and high blood pressure for a long time. She is losing her eyesight and is becoming increasingly unsteady on her feet.

Mrs Brown receives some care from the council, and a few services from the local NHS which help to give her some independence. These include some home care, meals on wheels and telecare from the council. She also sees the diabetes specialist nurses at the hospital, the outpatients department for her vision and the district nurse is currently visiting daily to treat an injury from a fall. She has been to hospital three times in the past two months because of a fall or her conditions meaning an ambulance had to be called.

She has had to have a number of assessments, is often referred on from the people she has told her story to, has to do a lot of travelling to different services which are changed at the last minute.

Jack, Mrs Brown's son who lives on the next street cares for Mrs Brown for about 20 hours per week. He is struggling to pay his bills as he is unable to work and the carers benefit does not cover these outgoings. He may have to give up caring and try and go back to work.

Mrs Brown is worried that she will have to go into a home if Jack is unable to continue caring and her health and wellbeing deteriorates further.

This is an expensive situation for two reasons:

- ▶ Duplication of resources and;
- ▶ The likelihood that Mrs Brown situation will escalate and lead to more intense, more expensive care.

### It's 2020

Mrs Brown is 80 and the transformation fund has been running for five years. She is still at home despite her fears. Following a discussion with Mrs Brown and Jack, Mrs Brown was given an integrated personal budget to help her manage her health and care needs. As part of this, a full care plan was developed jointly with Mrs Brown. As well as the planned activity, Mrs Brown now knows what to do if she gets into trouble. This is much more cost effective as her conditions require less emergency visits, she didn't have to go into a care home and their resources are planned more effectively across the system.

As the staff in the local health and care economy have had some multidisciplinary training, they are able to respond more readily to her needs without Mrs Brown having to have multiple appointments and assessments every time something happens. Equally they proactively work with her to help manage her conditions better to avoid a hospital visit due to escalation.

For the services Mrs Brown has chosen to buy with her personal budget, there is consistent information about quality that has been provided from regulator's report that helps them make informed choices about who provides the care. Her care plan also involves local neighbours and the local VCS, this has taken some pressure off Jack who is now able to find time to do some training to help him when he is ready to go back to work. He has also seen an increase to his entitlement which has enabled him to keep providing care for Mrs Brown.

Because the system has been integrated and devolved, it is now much clearer how the system works and who makes the decisions. As a result Jack wants to be a part of helping design future services. It has agreed to join a sub group of the Health and Wellbeing Board to help design services for the future and ensure individuals remain central to planning and delivery.

### It's 2030

Unfortunately, Mrs Brown passed away at the ripe old age of 90, supported by an integrated end of life plan. Her granddaughter Yasmin was born in 2015, just as the transformation fund was established.

Yasmin was born in the same part of Anytown. Thankfully, the local health and social care partners had established a pooled fund that has supported the local community to develop a range of services that support Jack, Yasmin and other families to be healthy and get involved in lots of community activities. This included some cooking lessons to help understand healthy eating. Yasmin also has a leisure pass that means she can afford to go swimming three times a week – she understands it's important to stay healthy!

When Yasmin turned 15, she joined a local community group that organises lunch clubs, helps with shopping and provides a sitting service as a support to local carers. Jack has told Yasmin how important these were for her grandmother.

### It's 2100

Thanks to Yasmin being active and having a healthy lifestyle, she has remained free from long-term conditions throughout her life. She rarely goes to the doctor, she uses the pharmacist for support in a lot of things. She has only had to go to hospital once when she broke her arm.

When she reached 85, Yasmin did become frail and needed some support at home. Thanks to the commitment to remove the eligibility cliff edge, this was provided for free. The local integrated health and care system can afford this even though the population as increased because the costs to the NHS have reduced.

Yasmin remained supported at home, with people who are close to her, and lives well at home into old age.

# Document navigation

In this report a journey towards better health and care for individuals is set out; driven by local system leaders and supported by a more empowering and enabling system:

1

## Section 1: There is a clear vision for better care

Ultimately, a reformed system needs to deliver:

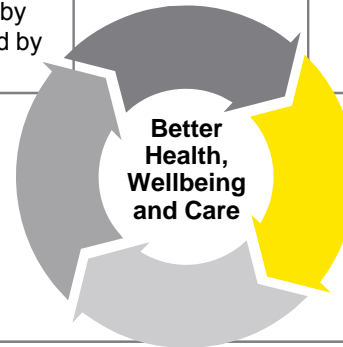
1. **Better health and wellbeing more equally enjoyed**
2. **Better choice and control for all**
3. **Better quality care, tailored for each person**
4. **Better outcomes for each £ spent**

A vision articulated across key organisations and supported by the I-statements developed by National Voices and endorsed by sector partners.

2

## Section 2: There are barriers preventing us achieving a reformed system:

1. **Creating dependency through the way we 'treat'**
2. **Chronic underfunding of the system and a lack of capacity to transform**
3. **Fragmented commissioning incentivising treatment over demand management**
4. **National regulations that disempower local areas**



3

## Section 3: There are four steps to better care

1. **Put people in control**
2. **Funding services adequately and in an aligned way**
3. **Devolve power to join up care, support and wellbeing**
4. **Free the system from national constraints**

Collectively this will enable localities to address challenges, deliver a better system and ultimately drive better outcomes and greater sustainability for all.

# Vision for Better Care

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# A more empowering and enabling system for Health, Wellbeing, Care and Support is required

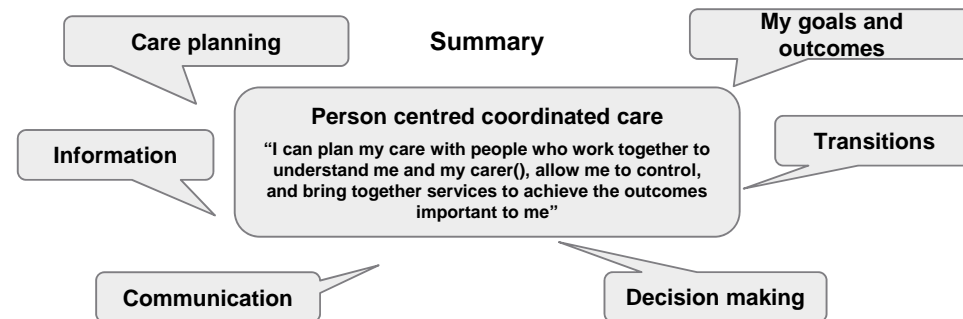
This section describes a vision and the key elements of a future system to drive better outcomes, developed with the LGA and partners.

Ultimately, a reformed system needs to deliver:

- ▶ **Better health, more equally enjoyed** – The Marmot Review demonstrated a difference in healthy behaviours and health outcomes across low and high income households. Services and support needs to be targeted and appropriate to address this issue recognising the positive impact population or community level activity has and the role of the wider system in enabling this
- ▶ **Better choice and control for all** – Work by National Voices, an organisation that brings the voices of patients, service users and carers together, has demonstrated the importance of user involvement in decisions about their care. People should have choice and control over how their needs are met and be supported to be as independent as possible through the process
- ▶ **Better quality care, tailored for each person** – Quality care that is clinically effective in the eyes of clinicians and patients, is safe and provides as positive an experience as possible is the desired standard. Care should be person-centred and focused on outcomes. The National Collaboration for Integrated Care and Support has identified this as a key theme in improving how individuals engage with the system
- ▶ **Better outcomes for each pound spent** – Demand and needs are rising and the system is currently under-resourced. Our future health and care system needs to be more sustainable. Using place-based commissioning driving better use of collective resources and a focus on prevention and demand management through investment in these key services. The NHS Confederations 'All Together Now' and NHS England's Five Year Forward View reflect these challenges and the need to identify new ways of working to deliver this

**These outcomes should not be mutually exclusive and instead complementary. By better engaging people in the system and focusing on driving wellness we should see improvements in outcomes, experience and sustainability.**

Work by National Voices, fully endorsed by TLAP, LGA, NHSE, DH and Monitor, best describes what good looks like in citizens' own words:



This is supported by a framework for person-centred care based on a series of 'I-statements' which are an assertion of what older and disabled people as well as carers and citizens expect to feel when it comes to care and support. Examples include:

- My Goals and Outcomes** – Taken together, my care and support help me live the life I want to the best of my ability.
- ▶ **Decision Making** – I am as involved in discussions and decisions about my care, support and treatment as I want to be
- ▶ **Care Planning** – When something is planned, it happens and I have systems in place to get help early to avoid crisis
- ▶ **Information** – I have information, and support to use it, that helps me manage my condition(s)
- ▶ **Communication** – I have one first point of contact. They understand both me and my condition(s) and I can go to them with questions at any time.
- ▶ **Transitions** – If I need contact with previous services/professionals, this is made possible. If I move, I don't lose entitlements to care/support.

**This narrative underpins the recommendations made in this report. These jointly owned principles for service design should be the driving force behind the way people are supported going forward.**



# There is cross-sector consensus on the need for transformation

Building out from the I-statements and the strong platform created by sector representatives and statutory bodies through recent publications a direction for health, wellbeing and care has been set out. This is a vision across all ages and types of need (mental health, physical health, wellbeing and the social, environmental and economic factors that contribute to these). It also reflects the interdependency between elements of the system that may currently be commissioned separately. This will drive a transformation in the system over the next five years. Outlined below is our vision for the Future of Health, Wellbeing and Care and what this means for individuals, communities and therefore the system.

## Individuals:

- Support to stay healthy and well throughout their life
- Better connections with local communities, friends and family
- Control of their own care and support

## Communities:

- At the heart of support networks
- Able to support people through networks

## The system:

- More affordable, efficient and effective
- Inclusive

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## Building on a shared vision

**Public Health England's 'From Evidence into Action'** sets out a clear case for prevention and early intervention forming a fundamental part of a new system.

**NHS England's Five Year Forward View** described the importance of prevention, social action and more freedom for local areas to design the right model for care and support to meet local needs and improve outcomes.

**NHS Confederation's** (with the LGA) '**All Together Now**' identified the need for more flexibility for providers on new model delivery. Self care needs to undergo a national, sector led programme to improve practice and the importance of local leaders driving change within a national framework including simplified performance regimes is acknowledged.

**The LGA's 'Investing in Our Nation's Future- The first 100 days' of the next government** outlined a number of recommendations in relation to health, wellbeing and care which should be addressed as part of developing a new system. In addition, **Commissioning for Better Outcomes (ADASS)**, the Integration Pioneers, the Better Care Fund and Integrated Personal Commissioning are all pushing forward improvements to outcomes and services. However, enacting change in a complex, multifaceted system is difficult without a more localised approach.

**All partners** agree there is chronic underfunding in the system, despite the delivery of significant efficiencies to date along with a further £22bn described in the Forward View.

In addition to the remaining £8bn NHS deficit identified, work on the funding challenge by **ADASS** and the **LGA** describes a further gap of £4.3bn in adult social care.

To drive a better use of resources and address some the demand and funding issues described, **ADASS** and the **LGA** have outlined a need for Health and Wellbeing Boards to play a stronger system leadership role.

This is supported by the eight key asks in **NHS Clinical Commissioners 2015** manifesto which in addition, described better required linkages between national and local commissioning.

This report builds on these foundations, setting out an improved system and the conditions required to make it happen.

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# For individuals, it means people are supported to take responsibility for staying well, be socially included and have choice and control

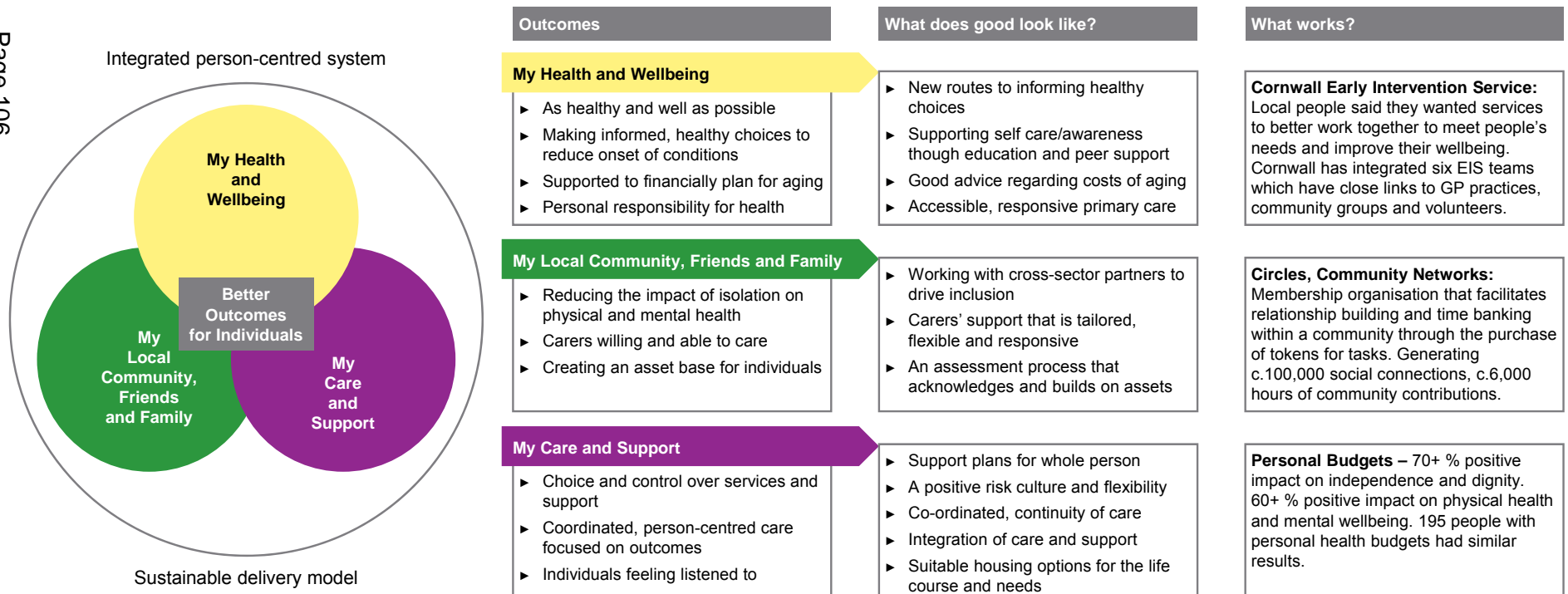
## A framework supporting individuals

Better health, wellbeing and care for people means much greater individual independence, responsibility and support for health and wellbeing, support from friends and family and community services that genuinely respond to what people want. All aspects are dependant on each other to be effective in achieving better outcomes. The I-statements should be the driving force of service design. Which underpin the framework for the future system, described below:

- ▶ **My Health and Wellbeing** – The right advice and support to help me make informed choices and take responsibility for my health and wellbeing.
- ▶ **My Local Community, Friends and Family** – I am supported to find opportunities to get involved either through work, volunteering or activities. My families and carers needs are considered.
- ▶ **My Care and Support** – Personalised, coordinated care and support to help me achieve my outcomes, and control how my care and support is delivered. Decisions about me involve me and are made by me.

## Services focused on enablement, choice and control can improve outcomes

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# For local communities it means additional capacity to support people to get better care

## To do this we must – harness the potential of communities in supporting preventative action

For example, a significant proportion of the long-term conditions that generate so much demand for health and social care services are preventable or could be better managed. Addressing lifestyle factors related to strokes, heart disease and diabetes, for example, is a critical national priority in which communities can take an active part in delivery. Supporting aspects of care for those with long-term conditions can free up otherwise engaged capacity in the system. This is most effective when there is:

- ▶ Significant investment in building community capacity, this includes the supporting infrastructure to create networks and the resources for them to use
- ▶ Support delivered directly to local communities take on this role
- ▶ Signposting, information and advice for individuals to be directed to these options by professionals
- ▶ Patient activation – engaged in decision about their own/family care
- ▶ A supportive approach to primary prevention – ensuring the rest of the system is empowered to make the required changes at a community and population level, e.g., addressing worklessness and poverty, changes to food and physical activity policies for schools or legislation on composition of processed foods.
- ▶ Working with employers, the third sector and the local health and social care market to ensure that people with long-term conditions are connected to their community, feel valued and don't face isolation.

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## To do this we must – help communities to build networks that can support people

Volunteering and neighbourliness are a critical part of truly person-centred care, particularly at a time of increasing demand with fewer or fixed resources. Person-centred care can be delivered through volunteers being trained and supported to provide regular/informal care to those who need it and community champions playing a key role in building awareness of and responsiveness to care needs.

At a local level, it means investing in community groups and the third sector to provide low level support. This comes in many forms:

- ▶ Local employers engaging in schemes to support people back to work
- ▶ Third sector opportunities for volunteering, becoming part of a community or group helping to reduce isolation and promote wellbeing
- ▶ The creation of networks, for peer support or to simply connect
- ▶ Time-banking schemes providing support and access to handy people or other types of support
- ▶ Educating community or faith groups in Health and Wellbeing
- ▶ The use of public sector assets as cost effective hubs for provision

In addition the aging population should be seen as an asset due to the life skills, experience, good health and time brought. Opportunities to 'step down' but not out of the world of work through volunteering and inter generational life experiences that will benefit all should be optimised.

### What works: Social Prescribing

Programmes such as the initiative in Rotherham have achieved lasting success by linking patients in primary care to non-clinical support (e.g., befriending and advice) within the community, capitalising on the expertise and compassion found in the voluntary sector. Analysis on the impact of the programme has shown a significant reduction in the use of hospital resources, including a 21% reduction in inpatient admissions. Harnessing community capacity to play a more central role in supporting those in receipt of care will be critical in securing a sustainable future for health and social care.

### What works: Dementia Friends

An organisation that supports citizens to understand more about dementia and the small things you can do to help people with the condition. People with dementia want to feel included in their local community, but they sometimes need a hand to do so. Dementia Friends learn about what it's like to live with dementia and turn that understanding into action. This could be helping someone find the right bus or being patient in a till queue if someone with dementia is taking longer to pay. There are now over 1,000,000 Dementia Friends.

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# Achieving this means the system will be sustainable and people will receive better care and support

**There have been big changes to health and care provision that is starting to shift the balance of care**

- ▶ Introduction of pooled budgets across health and social care in £5.3bn BCF
- ▶ 250,000 personal budgets across England
- ▶ Introduction of Integrated personal commissioning (IPC)
- ▶ Primary care at the heart of the new system through CCGs
- ▶ Transition of public health to local government

**Continue join up health and social care and focus on prevention to ensure that the system will be more affordable and deliver better outcomes for people**

People are living longer and with more complex conditions. This is resulting in increased demand for both health and social care services. In the UK life expectancy rose by almost a decade in the first 50 years of the NHS. The number of people aged 80 and over will more than double by 2037 and those over 90 will more than triple. Equally the number of people with multiple long-term conditions is set to rise to 2.9mn by 2017. Long-term conditions account for 50% of GP time and 70% of bed days. In addition, 12-18% of all NHS expenditure on long-term conditions is linked to poor mental health and wellbeing, demonstrating the importance of supporting the person not just a single condition.

*(Source Kings Fund)*

**This additional pressure is unaffordable** due to a primary focus on reaction, crisis management and the treatment of illness. By **supporting people to take responsibility for their health and wellbeing** and **empowering communities** to realise their potential to support the care system; costs to the NHS and adult social care can be reduced to a financially viable level.

**Shift the focus to local systems, to give better, more inclusive care that is more responsive to need**

Local areas have **variable levels of need** as a result of socio-demographic, geographic, physical needs and mental wellness. In different places, people engage with services in different ways, and the culture and the approach can be quite different. This means that **a solution that works in one place does not necessarily work in another.**

The current variations in provision are resulting in inequality; flexible locally tailored solutions should focus on addressing this, stimulating a race to the top and lead to better outcomes all round.

In the next section the report explores health inequalities and how the current inadequate targeting of **provision and lack of funding and local control over enacting change** is preventing better alignment between support and needs.

This will be enabled through a place-based, integrated approach to care, with **more power devolved** to practitioners, working with people and communities, forcing the system to make the step change in service and investment mix that will put the health, wellbeing and care system onto a more sustainable footing.

**So what is the problem?**

There are a number of barriers in the system that are preventing local economies from getting to the heart of the problem and overcoming the challenges faced. **Culture, chronic underfunding, fragmented commissioning and central rules and regulations** are all shackles which local economies are asked to wear whilst also focusing on trying to deliver on the priorities in their local areas.

**Four steps to better health, wellbeing and care:**

1. **Put people in control** – through investment in prevention; local, jointly commissioning of primary care; and skills and capability to drive behaviour change being built in partnership with citizens
2. **Funding services properly and in an aligned way** – making sure services are properly funded in the longer term; removing the silos created by counterintuitive budget setting; and providing transformation funding that gives prevention time to work
3. **Integration and devolution of commissioning powers to drive a place based approach** – devolving commissioning powers; expanding integrated budgets; and providing health and wellbeing boards with the infrastructure to take on new responsibilities
4. **Free the system from national constraints:** ensuring local economies remain focused on local priorities through a more flexible, localised approach to payment mechanisms; planning cycles aligned to longer term budgets; and devolving additional powers to local areas to drive healthy behaviours

# Barriers to better care

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# The current system is failing to improve outcomes, this impacts individuals and communities

This section describes the barriers to good outcomes identified through stakeholder engagement across the sector. These have been consolidated into a set of key barriers in partnership with the LGA.

## Health and social care outcomes have improved significantly in recent years

Over the past 15 years, our health and care system has improved dramatically, whilst at the same time largely weathering the restraint placed upon it.

- ▶ Reduction in premature death from disease
- ▶ Delayed transfers from hospitals due to availability of social care fallen by 7%
- ▶ Personal Budgets survey shows a positive impact on choice and independence
- ▶ Waiting times from 18 months to 18 weeks and public satisfaction doubled
- ▶ Highest performing health system of 11 industrialised countries

The demand, demographic and cost pressures in the system are well publicised and acknowledged across sectors

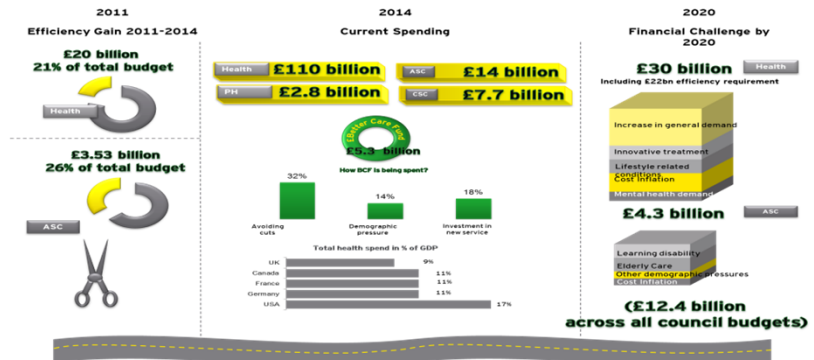
Public Health England's 'From Evidence to Action' highlights the current health issues the system must address:

- ▶ 1/5 –of children are obese in year six of school
- ▶ 62% – adults overweight or obese
- ▶ 1950s – comparable life expectancy for clients with serious mental illness
- ▶ 8mn – people still smoke
- ▶ 800,000 – people living with dementia

The NHS England Five Year Forward View outlines the three key pressures that will put the system under excessive strain and risk outcomes and service quality:

- ▶ **The Health and Wellbeing gap** – getting serious about prevention
- ▶ **The Care and Quality gap** – focusing in on the current variations
- ▶ **The Funding and Efficiency gap** – recognising even if the system can make significant efficiencies additional funding is still needed to ensure the level of care remains safe and effective.

Funding for local government has been cut by nearly 40% since CSR10. Efforts were made to protect care budgets but funding reductions have been such that significant efficiencies are still required in Adult's and Children's Social Care. In addition, local government is expecting a further review, implemented from 15/16, which may seek to reduce local public services by an additional 8-12%. With most local authorities spending 50-60% of their budgets on protecting vulnerable adults and children, the level of protection offered through CSR10 would be unsustainable. The LGA and ADASS have estimated a funding shortfall of £4.3bn for adult social care by 2020. At the same time, NHS England have forecasted an £8bn shortfall by 2020, taking into account £22bn of efficiency savings.



In order to continue to improve the health, wellbeing and care system for people to address the pressures on the system, and to put it onto a sustainable footing, more local powers are required to match provision to need. **There are four key barriers** to delivering better care:

1. **The creation of dependency** in individuals and communities preventing a move to greater health equality and sustainability
2. **Chronic underfunding** of the system, impacting quality and sustainability
3. **Fragmented commissioning**, silo working and perverse incentives reducing choice, control and positive experiences of care
4. **A set of national rules and regulations** that don't enable and empower local economies to provide choice and control, drive sustainability and reduce health inequality through better incentives

# Barrier 1: The current culture drives dependency, risk aversion and doesn't facilitate joint working

## The sector is focused on treatment and crisis management and not an individuals broader life journey

Despite a gradual shift towards more personalised community-based care, the vast majority of funding is still focused on treatment and crisis management.

- ▶ **30% (15mn) who have one or more long term conditions account for £7 out of every £10 spent on health and care in England.** (NHSE Call to Action)
- ▶ **£5bn year spent on obesity related problems**
- ▶ **£8.8bn a year on treating Type II diabetes**
- ▶ **3,000 alcohol related admission/day to A&E**
- ▶ **£22bn a year is the cost of sickness absence**

### The crisis in the current system is exacerbated by:

- ▶ People with an existing illness or long-term condition too often not supported to remain independent, or not receiving coordinated care based around need
- ▶ People at medium or high risk of developing a long-term condition in the future not receiving targeted support and therefore taking responsibility through their behaviours to prevent them
- ▶ The wider population not receiving sufficient information and advice about remaining healthy and independent
- ▶ Reactive, episodic and unplanned care
- ▶ Lack of available appropriate housing options and opportunities to plan this for people with changing needs

- ▶ **Only 50% of patients say they are as involved in their care as they would like to be**
- ▶ **1.1mn people are admitted to hospital where this could be avoided**
- ▶ **20% delayed transfers due to waiting for non-acute care and support**

Work undertaken by Public Health England has clearly shown the **significant impact of people's health choices on their health outcomes in later life**. The Global Burden of Disease study demonstrates the impact on our health of lifestyle. This is in addition to environmental factors such as good employment, safe surroundings and connected communities. A greater recognition that local services, including primary care, have a key role to play in preventing the onset of ill health is critical.

Reframing the relationship between individuals and the state demands overcoming significant **behavioural challenges**. How we communicate, work with and support individuals to take responsibility and make appropriate decisions about their wellbeing will be key. Feedback from the frontline of service delivery points to the persistence of indifference to messages or a dependency culture, where citizens do not feel empowered to take action. Having a **shared approach** to targeting, communicating and where appropriate supporting people within high-risk groups across a local community will be crucial.

For those people with existing conditions, **the system needs to work more seamlessly**, recognising the potential for people to remain independent and in control, and the availability of support from family, friends and communities. Care plans need to be reflect this and be effective across health and care services.

### Local variation

The level of need varies significantly across local areas, demonstrated at a high level in the table below (see appendix for explanation of the categorisation). Areas within the 'Hard-Pressed Living' group, for example, have a higher proportion of individuals living with long-term conditions or disabilities that limit day-to-day activity than the national average.

	% Long term condition/disability	Adult Physically Active	Child Obesity (Year 6)	Adult Obesity	Smoking Prevalence/ 100k population
Cosmopolitans	14%	52%	16%	13%	15
County Council	17.0%	58%	17%	23%	18
Ethnicity Central	14%	59%	24%	18%	21
Hard-Pressed Living	20.9%	49%	20%	26%	22
Multicultural Metropolitans	16%	53%	22%	23%	19
Rural Residents	18%	50%	15%	21%	16
Suburbanites	18%	56%	18%	23%	19
Urbanites	16%	56%	18%	22%	20
Variation	7%	10%	9%	13%	7

The way people access services also varies from place to place, depending on proximity to services, the availability of information and advice and the levels of patient activation and local demographics.

Even within a locality these factors can vary significantly. Local health, wellbeing and care economies therefore need to respond differently in how they deliver and commission services that best meet local needs. We also need to recognise local demography and the age profile is changing, services need to be designed to service the population of the future and changing communities.

# Barrier 2: Chronic underfunding of the system means it will struggle to cope with rising demand

- ▶ **Across the sector the challenge of underfunding has been recognised.**
- ▶ **The LGA and ADASS have highlighted a funding gap of £4.3bn for ASC**
- ▶ **NHSE described a shortfall of £8bn, assuming the £22bn of required efficiencies can be found**

## Starting well services are being reduced in a time of rising demand

As the structural issues of a recession such as unemployment and poverty place further strain on family life, emotional health and well being, domestic violence and substance usage can be exacerbated. The Adolescent and Children's Trust reports that referrals from local authorities more than doubled over the course of a year creating huge levels of demand for Children's Services. Care applications have risen by 70% between 2008 and 2013. Spending reductions on preventative services mean significantly less support is available for parents to provide a successful start for their families. Services such as Sure Start and Children's Centres have seen significant disinvestment nationally. In 2011 **c.42% of councils reported planning closures to children's centres.** The un-ringfenced **Early Intervention Grant has been cut by 0.8bn** between 2012 and 2015. Cuts in services such as libraries and public transport will also have a heavy impact on children and families particularly in areas of high deprivation and cuts to schools budget may mean the pupil premium may be subject to competing demands, reducing the targeting of support to those most in need.

## The numbers of individuals living longer with complex needs is also increasing

With advances in medicine, technology and life sciences, both the survival rates and the life expectancy of individuals with life limiting conditions has increased. A significant proportion (c.50%) of Adults and Children's Social Care Budgets are spent on a relatively small proportion of people. The cost of supporting each individual is relatively high, e.g., **lifetime care costs of one individual** with a Learning Disability in Residential Care can be in the region **£2mn** (18 upwards). With Adult Social Care seeing double digit transitions, and Care Act charging reforms meaning no cost recovery from this client group regardless of resources, further cost pressure on the long-term care system is expected.

There is also general underinvestment in preventative action; councils spend c.7% of ASC budgets on prevention, the NHS is approximately 4%. The Department of Health funding for Public Health was £5.6bn in 2013/14. A strong case was put for investing more in public health as long ago as 2002 (Wanless) with projected **savings of £30bn a year by 2023 through effective public health policy.** But despite warnings, spending has remained fairly static.

## Services have already absorbed significant funding reductions and the additional demand is having a compound impact

Savings from Health and Wellbeing Portfolios have often been achieved through efficiencies in contracting and service reconfiguration. This is not without risk and the sector has seen a manifestation of quality issues, contraction and difficulties with provider recruitment. Staff recruitment and retention are a challenge as a result of the increasing pressure on the sector. The frontline care workforce is already a workforce on low pay, low social status. According to Skills for Care, in 2012 adult care workers were paid an average of 91p per hour above the £6.19 National Minimum Wage for adults (Skills for Care, 2013). There is a risk that further disinvestment will put at risk performance, quality and safety.

These scenarios ring true in the NHS as well; the number of providers in challenged economies, special measures or under TSA arrangements is increasing as the provider market is already seeing the impact of financial and demographic pressure. With a number of commissioning schemes looking to divert activity (income) away from these 'at risk' trusts, the problem will only worsen as organisations try to survive

**Analysis from the LGA and ADASS shows that for the three months ending 30 June 2014 the Foundation Trust sector reported a deficit of £167mn; more than double the planned deficit of £80mn.**

Workforces and market capacity are already stretched. Given the clear interdependencies between health, wellbeing and care, the wider system needs to work together to collectively deal with the pressures and demands before it.



# Barrier 2: Chronic underfunding of the system means it will struggle to cope with rising demand (cont'd)

## Different funding settlements across health and social care do not create a collaborative environment

This can be demonstrated acutely at one of the key touch points of health and social care – hospital discharge. With the reduction in the number of acute beds and demand on the same, effective discharge is important to ensure the system has capacity to manage.

**There has been a 26% reduction in social care over the past four years and overall the proportion of delays attributable to social care has gone down from 33%-26%. However, the overall number still goes up meaning addressing the 26% attributable to social care must be a priority.**

This brings into question whether it is sensible to protect the health budget when there will have to be further cuts to social care. The evidence in the 2014 State of the Nation report demonstrates that the Government's solution for ASC funding over the current CSR period has failed. Transferring money from health to social care may have helped alleviate some of the demand pressures but it has not proved to be the panacea presented in 2010.

Social care has a big part to play in community provision, which will alleviate pressure on acute services. The gap of **£4.3bn** needs to be addressed alongside the gap in the health budget if sustainability and system change is to be achieved across the whole system. People don't see a differentiation between health and social care services so why should they be separate nationally.

## Different eligibility and funding structures for people and carers

Different eligibility and funding structures across adults, children's social care and the NHS also create problems. As the Barker Commission identified, the NHS is paid for out of general taxation and operates within a ring-fenced budget. Social care is paid for either privately or from non-ring-fenced local authority budgets. Who pays for what is a constant source of friction, with enormous and distressing impacts on individuals and families'. This statement captures the inherent inadequacy of the current blueprint for integration and shows that funding structures need reform.

- ▶ **NAO estimate the value of informal care at £55bn in 2011,**
- ▶ **There are approximately 3mn health volunteers nationally**
- ▶ **There are currently 5.5mn carers in the UK**

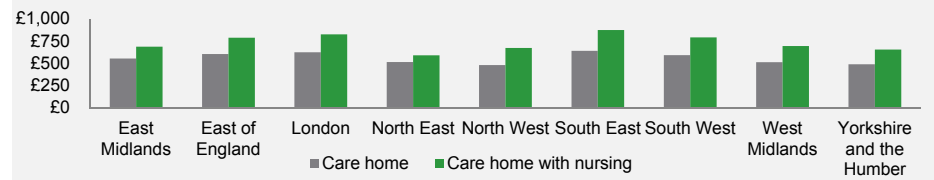
The Dilnot review found that the willingness of family and friends to provide care is diminishing.

- ▶ **1/3 carers cannot afford to pay their utility bills**
- ▶ **44% of carers have ended up in debt as a result of caring**
- ▶ **Carer's Allowance is the lowest benefit of its kind, it is worth less than £1.75 a hour for carers caring 35 hours a week**
- ▶ **20% carers receive no practical support** (Source: Carers UK)

Informal carers are being asked to do more with limited support, facing greater strain on their own wellbeing and financial circumstances; as a demographic, they are getting older and less able to support family members, friends and neighbours. This is likely to place additional strain on the system.

### Local variation

- ▶ There is variation of healthcare expenditure across the groups, with 'Rural residents' on average having £350 per head less than those living in 'Cosmopolitans'
- ▶ Residential care fees vary significantly across England as a result of land and property prices and availability of labour



(Source: Paying for care.org)

GPs availability varies by >40%, The underserved areas are linked to deprivation and correspond to the PHE heat map of reduced life expectancy. GP coverage is especially critical in the North West and North East. GP workforce supply is inversely related to population healthcare need

(Source: GP Taskforce 2014, Securing the Future GP workforce)

There is a variation of 4% between areas of Hard Pressed Living and Cosmopolitan areas in the proportion of people who are providing informal care of more that 20 hours per week

# Barrier 3: Fragmented Commissioning is driving silo-working and dis-incentivises investment in longer-term demand management

## Lots of organisations are involved in commissioning which can make it difficult to provide person centred support

Localities wanting to organise health and social care services according to local needs and priorities have a number of stakeholders to coordinate. Not only are community health and social care services commissioned separately (e.g., intermediate care and reablement), there is inconsistency around national, regional and local organisations, undermining coordinated efforts to reduce demand and improve outcomes. For example, prior to the devolution deal, of the £22bn spent on the public service in Greater Manchester only 16% is controlled by bodies based in Greater Manchester.

Aspects of primary care, dentistry and pharmacies, for example, are not commissioned at a locality level. Specialist commissioning is undertaken by NHS England. This is compounded by acute provision operating across different patches and trying to align commissioning intentions of multiple Health and Wellbeing Boards whilst developing plans to remain viable in the wake of reduced tariff income.

Even at a local level there are challenges: CCGs, for example, work from fixed annual budgets that push commissioners into the wrong behaviours and prevent the adoption of more long-term prevention focused measures and closer cooperation with councils.

The role and relationships of health, wellbeing and care within the wider system (housing, employment, community capacity building) also requires further definition if interdependencies are to be managed. An example of this is appropriate housing and adaptations. This is often commissioned separately but is fundamental to wider health and wellbeing outcomes and demand management.

There is much which is currently devolved to localities through LA or NHS routes but this still results in separate LA and NHS arrangements; with the planned devolution for primary care through a parallel structure this will only add to this pressure. Capabilities are not spread evenly across the health and social care landscape, with the NHS better in some areas than local authorities and vice versa. Currently, however, despite the clear advantages of pooling skills and resources both sides lack the freedom to do so to the extent that would generate significant benefit. In essence, it is a complex picture and commissioning bodies are required to work in partnership with a number of other organisations.

Where commissioning capacity has been under continual pressure to streamline, the sheer volume of stakeholder management across commissioners, providers, development agencies and regulators can put significant pressure on the ability to develop cohesive, deliverable local plans and manageable transitions.

In terms of delivering on local needs and priorities where capacity may be stretched, there are examples of where specific sub-structures have been put in place within areas, specifically with the aim of tailoring services to meet the needs of diverse populations.

### Local variation

Assessing the alignment of commissioning structures provides some insight into the complexities and challenges in coordinating local systems. Health and Wellbeing Boards provide an interesting example: there are currently 49 Boards that do not map exactly to a CCG structure. Of that 49 there are 27 that represent only one of multiple local authorities covered by the CCG in question. Even where boundaries appear coterminous there can still be challenges, e.g., areas with two or three CCGs overall within one local authority boundary, these arrangements are common in the County Council groups.

Classification	Average proportion of CCG population covered by LA	Average proportion of LA population covered by CCG	CCG to LA Ratio
Cosmopolitans	64%	86%	1
County council	84%	27%	3.4
Ethnicity central	100%	100%	1
Hard-pressed living	92%	94%	1
Multicultural metropolitans	91%	81%	1.2
Rural residents	69%	89%	1
Suburbanites	95%	78%	1.3
Urbanites	89%	91%	1.1

The nature of the local commissioning landscape will inevitably require local areas to adapt, underlining the importance of a locally empowered system, across an appropriate foot print, supported by a simpler framework sitting around it.

# Barrier 4: Central rules and regulations do not enable local economies to prioritise the interventions that will have the biggest impact

## Payment systems incentivise treatment not prevention and drive activity to the wrong places

Despite the increasing move to pooled budgets, commissioners focused on closely related areas often operating under very different terms, which is undermining their ability to work effectively together towards shared objectives with a locality.

This is exacerbated by the current range of payment mechanisms across the health, wellbeing and care system, which do not support efforts to make care more person-centred and prevention focused. Incentives are often ineffective and, in the worst examples, actively work against efforts to increase user independence and service sustainability. Payment systems have, in many respects, been left out of the integration discussion and the consequences of this are beginning to materialise.

There is at present only a loose relationship between the actual cost of care to service providers and the prices charged to individuals or back into the system. As a consequence, commissioners and providers are not allocating resources or employing care and support to produce the best outcomes for users in the most efficient way. This is acutely realised through the use of national prices within the national tariff, which translates into payment for activity. Many trust's forward plans are seeking to generate income, which may not be aligned with local commissioning plans. This means there is limited incentive for providers to engage and invest in prevention and the wrong contracting models can risk provider viability.

Block contracting separately for community services creates the need for demand management into community service to help manage operating costs. Where more people should be supported in the community, the contracting mechanism can hinder this through limiting capacity to respond.

Equally, many providers are not incentivised on prevention, which often leads to reliance on hospital admissions as a catch-all solution for an individual's worsening circumstances. This can be equally complex from a commissioner perspective, agreeing the 'deal flow' can be complex – it means recognising the organisation providing the preventative support might not be the only one to benefit.

- ▶ A research report by Social Care Institute for Excellence in 2011 showed reablement improves independence, prolongs people's ability to live at home and lasting benefits have been demonstrated across health and social care.
- ▶ An Australian study by Lewin looked longer term:
- ▶ 78% of those receiving reablement no longer required a support service after three months
- ▶ 85.8% no longer required a service after 12 months.
- ▶ Over two years, the reablement group was less likely than the control group to use hospital emergency services.

## Planning cycles impact on both capacity and ability to prioritise local, integrated transformation

With any complex system it is essential to ensure services are joined up and operating in line with shared goals and performance measures. Currently, decision making is hampered by complex, multiple frameworks making it difficult for commissioners to evaluate the collective effectiveness of care. Joint planning has been encouraged through the Better Care Fund and Section 75 arrangements however these are in addition to, not instead of existing operating arrangements.

Planning cycles exacerbate this, sending health and social care organisations travelling in different strategic directions. For example, where organisations, in partnership with national bodies construct growth plans to address financial deficits, but local commissioners are seeking to drive different types of care. This represents a serious barrier to meaningful integration and personalisation, as organisations face a multitude of planning obligations restricting the ability to align strategic objectives.

## Central intervention is not always fit for purpose to local needs

Local accountability is also undermined by the role currently played by regulators. The community-based health and social care perspective is that regulators are often misaligned in their requirements and should do more to consult local partners when developing them. The regulatory system can be cumbersome and takes focus from service delivery. Trying to harmonise the demands set down by different regulators is creating an increasing burden on commissioners and providers, limiting the effective integration of services and to operate more strategically.

# Barrier 4: Central rules and regulations do not enable local economies to prioritise the interventions that will have the biggest impact (cont'd)

Priorities that are set out by Whitehall are not always matched to things that will have the biggest impact and are deliverable locally. This is a barrier to local areas needing to address improvement of outcomes, demand management and enact the changes to the local system to drive sustainability and reduce health inequalities in line with the complex conditions found in their area.

This informal support is less available in rural settings where geographical distance and the emigration of the young and middle-aged can leave a gap in care provision that needs to be filled by the state. In such circumstances, building up highly mobile and effective teams of professional carers to support a sparser population of those in need is likely to be a priority.

There are additional examples within the results that show how health and social care demand and activity vary significantly across England, creating distinct priorities for different localities. These findings reflect the very different starting points for local health, wellbeing and care economies and how different types of provision have emerged over time.

What can be taken from this picture is the need for system change to be locally driven, to effectively plan what new and improved models of care would look like, how and where these will be more cost effective and deliver better outcomes and help to coordinate across the footprint of different organisations.

## Local variation

Local areas do have different needs as a result of their population, different geographic footprints and different provision structures. Looking at the current system demonstrates that different economies have very different profiles of health and social care activity.

Area Classification	Number of Local Authorities	Mental Health Admissions	A&E Admissions	EMGIP Admissions	Alcohol related hospital stay
Cosmopolitans	6	279	35,116	8,429	476
County Council	27	188	27,709	9,233	583
Ethnicity Central	10	318	42,833	8,343	655
Hard-Pressed Living	29	240	38,080	11,889	748
Multicultural Metropolitans	30	185	36,159	9,288	621
Rural Residents	8	174	28,257	8,755	500
Suburbanites	21	202	31,205	10,340	661
Urbanites	21	201	28,328	9,192	594
<b>National Average</b>	<b>152</b>	<b>213</b>	<b>33,240</b>	<b>9,782</b>	<b>630</b>

Inevitable differences in demographic, population density, geography and the historic creation of health and care infrastructure will have an impact on how the system can respond to the varying levels of need.

Suburbanite areas have a smaller proportion of their population living in residential care homes or in-hospital care than localities defined under 'Rural Residents'. In practice therefore the two areas would likely adopt different approaches towards providing care for those with long-term conditions.

Suburbanite local authorities can rely more on informal care provided by family members, friends and the wider community, and may therefore prefer to invest in programs that build capacity to continue providing such a vital social service.

# Recommendations for better care

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# To unblock the barriers for local economies to drive better outcomes, there are four steps to better care

This section describes the key consideration to change the system for the better. The considerations pulled out in each section have been developed through collaboration with the sector and partner stakeholders and consolidated into a set of recommendations.

## The barriers in the system are hindering local economies from making the step change required

Described in the previous section are the range of barriers that combine to disempower local system leaders. In this section, the report explores what needs to change to enable local economies to transform health, wellbeing and care to deliver the vision outlined in the first section.

At the heart of this is a need to **redefine how individuals interact with the system**, empowering citizens to take greater control of their individual wellbeing as well as that of the broader community. Health and social care, leaders, commissioners and providers have a critical role in making this a reality by supporting individuals to become more proactive in supporting themselves and those around them, and in delivering more person-centred care in an appropriate home-based setting.

Mechanisms may include **joined-up assessment and support planning processes**, with a focus on enablement, will ensure a **recognition of individual ability**, potential and assets or good advice and guidance to help make informed decisions about support. This must be supported by a **positive risk culture** across organisations allowing individuals to have more **control and flexibility and availability of suitable housing options**.

There is promising emerging evidence that integration of health and social care will produce a more effective and efficient system but there is an equal need to remain realistic about how much it can achieve with the current landscape. Many proposals are being tested in a restricted environment and as a result will have a less than optimal practical impact. We need to be bolder about devolved, integrated systems focused on the place and considerate of what an appropriate commissioning footprint is.

The **locality is where experience and knowledge are concentrated**: councils and local healthcare providers and commissioners are best placed to make choices about the totality of services required locally. However, expanding person-centred care is made more difficult without giving **local areas more power and a supportive framework** to make lasting improvements.

Arguably the most critical barrier facing the system is balancing the national policy of reducing the deficit in contrast to the rising demand as people live longer with long-term conditions. This means currently inadequate funding is available for the system.

This must be addressed in tandem with some **fundamental reforms of how commissioning and funding is structured, driving further devolution to local areas to drive personalisation and sustainability**.

System leadership and the supporting infrastructure of information technology, data sharing, workforce development and the 'Commissioning for Better Outcomes' approach are all key enablers currently being tested and developed through a number of live programmes such as BCF and the pioneers. As such, these have not been explored in detail in this report but are recognised as key dependencies and fundamental levers to support unblocking the current systemic barriers outlined.

In this section detail is provided on the **Four Steps to Better Health, Wellbeing and Care** and how these will help to overcome the barriers identified.

### Four steps to better health, wellbeing and care:

- 1. Put people in control** – through investment in prevention; local, jointly commissioning of primary care; and skills and capability to drive behaviour change being built in partnership with citizens
- 2. Funding services properly and in an aligned way** – making sure services are properly funded in the longer term; removing the silos created by counterintuitive budget setting; and providing transformational funding that gives prevention time to work
- 3. Integration and devolution of commissioning powers to drive a place-based approach** – devolving commissioning powers; expanding integrated budgets; and providing health and wellbeing boards with the infrastructure to take on new responsibilities
- 4. Free the system from national constraints**: ensuring local economies remain focused on local priorities through a more flexible, localised approach to payment mechanisms; planning cycles aligned to longer-term budgets; and devolving additional powers to local areas to drive healthy behaviours

# Recommendation 1: Reforming the citizen relationship is key to changing culture

## Embed personalisation of health, wellbeing and care into local systems

Personal budgets in social care have been successful to date in improving choice, control and outcome for those in longer-term care and support.

- ▶ 2/3 of survey respondents said a personal budget had made things better
- ▶ 80%+ said improvements in dignity
- ▶ >2/3 of carers said things had improved

They have been critical in enabling people to make decisions over how needs and outcomes are met. This is now being further tested through Integrated Personal Commissioning (IPC). This new initiative blends health and social care funding by identifying the totality of expenditure at an individual level. It has two core elements:

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- ▶ A care model that provides person-centred care planning, and optional health and social care budget
- ▶ An integrated 'year of care' capitated payment for those with complex needs

A significant expansion of the IPC initiative is required, putting it on a par with personal budgets in social care. This could be achieved by:

- ▶ A rapid national review of the opportunities for IPC delivery, including a clear framework to help navigate the tension between clinical guidance and choice
- ▶ Accelerated support to develop and implement plans for selected IPC sites
- ▶ Greater publicity of the potential benefits and shared learning from the programme, supporting other sites to accelerate implementation

**“My care is planned with people who work to understand me and my carer(s), put me in control, co-ordinate and deliver services to achieve my best outcomes”**

*(National Voices)*

**1. Personal Budgets for health and social care should be driven with the aim of increasing take up to equivalent levels found in social care (250,000 in England)**

## Embed a culture of prevention into local transformation initiatives

- ▶ 57mn GP attendances could be dealt with in pharmacy if model is revised
- ▶ 3mn falls per year of which a proportion could be preventable

If the system:

- ▶ Uses the surplus of pharmacies to alleviate pressure on GP time
- ▶ Includes GP in Multi Disciplinary Teams to deal with frailty
- ▶ Works with patients to change perspectives and create shared understanding  
*(Rob Webster, NHS Confed, HSJ)*

As well as local authorities broader public health role, primary care is key to embedding prevention into local communities and driving a shift in the way services are used. The review of Primary Care commissioning, along with the NHS's **New Models of Care** present a real opportunity for the NHS to work with councils to manage demand and ultimately reduce the volumes of need for crisis or high intensity services through a more serious focus on prevention across services. This is in addition to providing a local approach to addressing the local variation in resourcing experienced from area to area. However, this needs to be system wide.

The health and social care workforce will also need to develop new ways to engage with residents to promote independence, community resilience and self care, including direct conversations and brokering relationships between family, friends, neighbours and the wider community. At a national level this will require joined-up working with representative workforce professions.

To support this, a culture change is required if individuals and communities are to play a role in improving their health outcomes. This can be delivered practically through:

- ▶ Education of the wider population;
- ▶ Case finding to target support/education;
- ▶ Improved condition management through supported self care with appropriate professionals (small changes in contact type can have a big impact).

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# Recommendation 1: Reforming the citizen relationship is key to changing culture (cont'd)

Citizens UK 2015 Manifesto, for example, recommended training more health champions to deliver educational programmes should be explored.

**Expert Patient Programmes have been shown to deliver a return on investments of 3:1 for the health sector as well as a wider social return of 6:1 depending on the interventions.**

The system should also recognise the wider preventative impact of service such as leisure or neighbourhood services and look to optimise the contribution of these services.

For individuals this means they are able to stay well, healthy and prevent, delay or reduce the impact of conditions on their life. For the system it means a greater footprint to support the improvement of health and wellbeing. To deliver it requires:

- Page 120
- More involvement of partners in healthy choices communication
  - Pharmacy as a key point of access for LTC
  - Good advice regarding retirement, care costs and accommodation
  - Accessible and responsive primary care

- 2. To ensure a focus on prevention and social care, encourage NHS bodies to involve councils and Health and Wellbeing Boards in setting the strategic direction of primary care commissioning**
- 3. Through 'New Models of Care', encourage local areas to identify the population most at risk of ill health and develop a plan to manage demand**
- 4. National bodies to facilitate multi-disciplinary training of local staff around personalisation, prevention and community resilience**



# Recommendation 2: Address Chronic underfunding to drive person centred care

## Provide transformational funding to give prevention chance to deliver

This is a complex, long-term transformation. Initiatives will work but take time to take effect. The connection between commissioners managing demand and hospitals/accommodation based services managing operating costs is essential. If further trusts are to be prevented from overheating in terms of capacity, quality and finances, the model of care needs time to be changed.

- ▶ **Every £1 on friendship networks saves £3.75 on mental health services**
- ▶ **Every £1 on support networks for people with drug and alcohol dependency saves £5 on health, social care and criminal justice services**
- ▶ **Every £1 on parenting programmes to prevent conduct disorder pays back £8 over six years**
- ▶ **Every £1 spent on school-based smoking and bullying prevention can save as much as £15**

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This takes time, investment and significant engagement of commissioner, providers and citizens. There are three key things that transformation requires:

- ▶ Firstly recognising the system would benefit from investment in prevention services  
This is to increase prevention and wellness, community-based alternatives and work with providers to redesign models of care, equating to c. **£5.2bn** over four years or c. **£1.3bn** annually. Based on previous proportional estimates, spending on prevention is c.£8.2bn across the health and care Economy, approximately 6% of the total spend on health, public health and social care (£139.8bn). If we were to align this proportion with ASC, estimated at 7% of total spend (£9.5bn), this would mean an additional c. £1.3bn annually.
- ▶ Secondly, creation of a pooled budget, a 'BCF plus'.  
The Transformation Fund (£1.3bn/year), combined with the existing £5.3bn of pooled Better Care Fund money could result in an annual pooled budget for transformation of health, wellbeing and care of c. **£6.6bn**. Including all NHS, Adult Social Care and Children's Social Care would raise this pooled budget to **£141.1bn** that could be devolved to local areas to develop new health and care systems.

Full integration should be the ambition by 2020, until then, above the £6.6bn areas can define their local pooled budgets, using proportional match funding from health and social care (i.e. if local government contribute 40%, health contribute 40%)

- ▶ Thirdly, transformational funding support should be focused on the right things, delivering demand management initiatives for the medium and immediate term.
- ▶ Lastly, the targets attached to transformational funding should be realistic in setting the timeframe for results and expected savings. Otherwise recreating the current challenge again in 2,5 and 10 year's time is a risk.

A transformational fund should be announced within the first year of a new Government, established in 16/17 and should be included within the baseline for future years. This funding assumes that the 13/14 projections for the ASC gap are funded, no additional funding cuts to social care in the Spending Review, and that wider local public services are protected.

**5. Government should provide a £5.2bn Transformation Fund and create a pooled budget of £6.6bn – £141.1bn to deliver the significant change required to deliver a more equitable system**

## Align the funding settlement for health and social care

Health and social care are inextricably linked.

- ▶ **30% of health and care users cost 70% of the NHS and social care budget** (NHSE Call to action)
- ▶ **15.4mn people driving cost in ASC and health nationally (£87.9bn), however, the BCF pooled budget is only £5.3bn/£124bn health and ASC budget**
- ▶ **26% delayed discharges attributable delays in social care**

In recognition of the link, both health and social care budgets should be properly funded but subject to the same protective arrangements and percentage changes over a Comprehensive Spending Review period.

Many local areas have identified the need to have better line of site to funding to enable more sustainable planning. A five-year settlement for funding across NHS and social care would allow local areas to make more robust investment decisions, focus resources on the things required to better manage demand over the medium term and have a structured approach to delivering the required efficiencies. In addition, consideration should be given to reviewing the use of prudential borrowing to maximise the impact of transformational funding

**6. Government should align the level of protection across health and social care budgets and provide a five-year settlement for both health and social care**

# Recommendation 2: Address Chronic underfunding to drive person-centred care (cont'd)

## Remove the eligibility barriers between health and care

Finally, to break down silos, the national eligibility boundaries that separate health and care need to be reviewed. Care defined as critical should become free at the point of use to end the problematic distinction between NHS Continuing Healthcare and social care and address the ongoing inequalities facing individuals.

As per the Barker report, out-of-hospital accommodation costs should be covered by the individual up to the £12,000 cap introduced by the Care Act from 2016. This measure would help to create a more equitable, sustainable system by incentivising individuals and care professionals to seek at-home solutions. Local Communities should be able to apply this where it is judged to provide better value than current arrangements.

In addition, more needs to be done to support carers. Reviews of eligibility, entitlements and funding for individuals and carers need to be undertaken in tandem. This valuable part of the health, wellbeing and care economy should be in receipt of appropriate support, education and access to resource to help maintain the vital contribution made to the individuals independence and the sustainability of the system as a whole.

In the Carers UK manifesto, carers set out what they want in terms of support, some examples are set out below:

- ▶ For their role to be recognised and respected as a crucial part of society
- ▶ For carers' benefits to recognise their huge contribution to society
- ▶ A social security system which supports rather than prevents work/study
- ▶ Health services which recognise that carers have their own health needs
- ▶ Rights at work which recognises caring as much as other family responsibilities
- ▶ Support to return to work when caring comes to an end
- ▶ For caring to be given the same political and economic prominence as alongside becoming a parent

Low pay and low status were outlined in research by the Joseph Rowntree Foundation as challenges that are also apparent in the care workforce too (formal carers). Some key areas to change going forward to improve recruitment, retention and care quality for individuals:

- ▶ Care workers do demanding work for low pay. Research shows the importance of making staff feel valued and chances for progression and development
- ▶ The low social status accorded to care work needs to be addressed as it influences how the whole sector is perceived and reward understood
- ▶ Conditions and culture, such as paying for travel time are important in staff feeling valued in their roles

Changes to eligibility, entitlements and funding needs to be financed somehow. The Barker Commission identified a range of options to secure additional funding to meet the increasing costs of providing health and social care. These included measures such as a change to prescription fees and the introduction of means testing for winter fuel payments and TV licences for the over-75s.

There are advantages and challenges in pursuing any of these but it is clear that a full and frank debate is required on how more resources can be freed up to invest in health and social care to respond to rising demand.

7. The Government should review options for additional funding and set out in the Barker Commission, identifying funding options to remove the cliff edge between health and social care
8. As part of the review of funding options, the Government should also identify additional resources to fund increased entitlements for carers
9. Ensure the formal care workforce is supported through changes to conditions, culture and development opportunities

# Recommendation 3: Local areas need to be in control of their whole economy

## Driving a place-based approach through integrated commissioning systems with devolved pooled budgets, shared outcomes and commissioning powers

Local commissioners have a key role as agents of change. To deliver this properly they need the freedom and capacity to shape their local health and social care economy.

There are a range of potential options for reform at a local level:

- ▶ The Barker Commission, for example, recommended a single ring-fenced budget for health and social care run by a single commissioner.
- ▶ Community budgets begin with citizen experience; they look at the whole system rather than discrete services; they are rooted in evidence; and they demand new models of investment to set up and sustain the most effective interventions.

The Better Care Fund also made progress through pooling funding already controlled at a local level in a range of Section 75 agreements that encouraged joint working, joint commissioning and sharing the benefits of services focused with individuals at the centre. This has projected savings of £500mn in the first year.

The scope of an integrated system (outcomes, budget and commissioning arrangements) should be defined locally by those best placed to respond to local needs. This should include considered devolution of other funding in the NHS, for example specialised commissioning and primary care; and nationwide benefits, such as Attendance Allowance and the Personal Independence Payments. Bringing these entitlements under local control will result in better outcomes and alignment when supporting people to meet their outcomes, both for those who access care services and those who don't.

This should be conducted in tandem with a discussion about viable footprint to ensure areas are able to achieve the economies of scale whilst still gaining the advantage of local control and clarity on the funding arrangements and agreements as further Comprehensive Spending Review challenges take hold.

## Greater Manchester Devolved health and social care

Greater Manchester has recently negotiated the devolution of £6bn of health and social care funding into a pooled budget.

- ▶ This includes NHS England, 12 NHS clinical commissioning groups, 15 NHS providers and ten local authorities
- ▶ It should facilitate joint decision-making on integrated care to support physical, mental and social wellbeing
- ▶ The scope of the memorandum includes adult, primary and social care, mental health and community services and public health
- ▶ In addition a framework for strategies around governance and regulation, resources and finances, the property estate, health education, workforce and information-sharing and systems being brought together is set out
- ▶ A £1.1bn funding gap will need to be addressed through the new service models developed

A transition plan will provide the foundations for joined-up business and investment proposals, along with a joint Greater Manchester Health and Social Care Strategy – until full devolution of health and care services is in place by April 2016

10. Give local areas greater control and freedom over pooled budgets, including flexibility over the planning footprint, performance monitoring, governance arrangements and scope to include existing devolved budgets within the pooled budget
11. Government and national bodies should review options to further devolve national commissioning budgets across the NHS, Public Health England and other relevant Government Departments

# Recommendation 3: Local areas need to be in control of their whole economy (cont'd)

## Health and Wellbeing Boards focal point of devolved, integrated commissioning

Health and Wellbeing Boards (HWBs) are ideally placed to provide system leadership of integrated commissioning. They provide an established governance arrangement, are focused on improving the health and wellbeing of the whole place and are able to provide political leadership and steer through complex decisions about local priorities and policy.

Boards provide an ideal shared platform, including links to other bodies such as Local Enterprise Partnerships and Passenger Transport Executives, meaning they can capitalise on opportunities to work collaboratively across local areas, for example on community wellbeing, housing, employment and skills.

To deliver this stronger role, Boards need to be made up of the right people that will enable them to deliver accountability, accessibility and, critically, to be of a size to make decisions.

This should include a stronger link to citizen involvement in local governance, ensuring local strategies and decision making is more person-centred. This is demonstrated in some areas through wider system partnership arrangements enabling carers, users and volunteer bodies to participate whilst maintaining the forum to make decisions.

Any strengthening of the role of HWBs must be supported by skill development and supporting infrastructure. Members will be required to take on a greater management and budget responsibility. For this to be successful they will require additional expertise in managing new relationships and administrative capacity currently not available to them.

**NHS Clinical Commissioners and the LGA are currently taking forward to define the role of Health and Wellbeing Boards in a more localised, devolved system.**

**12. Health and Wellbeing Boards to become the vehicle for devolved place-based commissioning**

**13. Local economies should be given the freedom to make appropriate changes to Health and Wellbeing Boards, including changes to the geographic footprint to match strategic planning**

**14. Additional resources and support should be made available to HWBs to take on an expanded role, including support to establish locally determined Joint Management Teams to support the Board in commissioning**

# Recommendation 4: Reform the framework set by National Bodies to support local success

## Use different payment mechanisms to incentivise prevention and person centred care

Capitation can work as an enabler for integrated care by incentivising providers to develop an end-to-end approach when delivering services. A capitated system replaces activity based payments with a mechanism that motivates providers to reduce hospital admissions and long stays, focusing instead on meeting an individual's holistic needs.

It also encourages different providers to work together towards shared outcomes, as they all share a stake in improving outcomes for users with long-term conditions under this payment model. Similarly for commissioners the benefits of capitation can only be realised over the long term, encouraging an approach rooted in building provider relationships with clear outcome-based targets.

In the **Five Year Forward View**, NHS England confirmed plans to roll out Integrated Personal Commissioning to improve the sustainability of the health and social care system by optimising use of resources. This will, above all, spearhead the move to a more person-centred model of care.

The ultimate aim is the development of a diverse market from which individuals can choose support, delivered through improved joined-up commissioning, investment in developing new community options and providers driven by the right incentives. This change will take time as providers will need to be engaged to work through proposals.

**15. Support areas to replace or deviate away from the tariff based system, including through a capitated planning and payment approach to incentivise provider behaviour change**

## Planning cycles should be aligned across Health and Social Care

Planning cycles should be aligned more closely and annual planning requirements for healthcare providers removed so that they can more effectively integrate their planning processes with social care partners. This will create additional capacity in the system to get on with delivering the changes and allow an integrated approach to delivering a joint set of outcomes.

Both of these changes need to be negotiated with stakeholders. Providers are often the innovators, gaining provider backing is essential for a unified performance framework and so they should be closely consulted while it is developed to better place them to respond to new measures. This links to the required discussion on units of planning and viability to ensure established providers are supported to transition and transform.

**16. Align planning cycles to a five year cycle in line with the proposed budget settlement**

# Recommendation 4: Reform the framework set by National Bodies to support local success (cont'd)

## Local areas need freedom to be more ambitious in local public health policy

Areas need to be empowered to get local incentives right. Local commissioners are best placed to define what will work to meet local need.

1. Opportunities such as the ability to vary the tariff for services locally or more flexible use of NHS estate will support change to be driven through.
2. Enhanced powers should be devolved to local areas for public health policy that goes further and faster than current national law – on alcohol, fast food, tobacco and other issues that affect physical and mental health. Practically this means:
  - ▶ Unity and dedication from providers, commissioners and policy makers. Sincere and lasting commitment must underwrite such a critical change in public health policy making. National politicians being comfortable with difficult local policy decisions being made for the benefits of population health.
  - ▶ The enhanced role of public health: reaffirming the importance of the role of public health in influencing and assuring the shape of services across the local public service environment.

### 17. Additional devolved powers to set public health policy that is more ambitious than national law

## Performance improvement should be locally driven and sector led

Within health and care there are a range of regulators: system regulators, financial regulators and professional regulators. There needs to be proper dialogue with these bodies to align performance improvement initiatives across the system. Regulators should be accountable to local commissioners, the responsibilities devolved and driven by the framework set out in partnership with citizens. The **Five Year Forward View** is supportive of a whole-system, geographically-based approach.

There needs to be a simpler way to measure performance across health and social care. Within a local area there should be one single performance framework against which all providers' performance is benchmarked. This should include core mandatory elements alongside optional measures that can be driven by local priorities set out by the HWB. Unifying these frameworks will create a single definition of success for all partners within a locality and help them to work towards shared goals.

Agreement is required across the system as to what constitutes quality, including the key metrics for quality outcomes. Equally the move to a more common set of assessment tools with a focus on use of evidence and intelligent decision making will be beneficial. To achieve this sector-led national collaboration is required on the development of tools and standards, but then supported by the development of local implementation plans to ensure provider improvement programmes are aligned to local priorities. Transforming Excellence in Adult Social Care (TEASC) provides an excellent example of how sector-led improvement can be a powerful tool in improving outcomes and quality standards.

### 18. Develop a sector led single set of tools for quality assessment across health and social care

### 19. Review the reporting arrangement for regulator bodies and align their mandate to support local economies deliver on their outcomes

Appendix A

# Categorisation of Health and Care Economies

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# Categorisation of Health and Care Economies

At the same time, however, there are localities with common characteristics, creating opportunities to form networks that share information and best practices and lobby central government and NHS England for reform together.

England's diverse range of health and social care economies are best illustrated through data. The Office for National Statistics has developed eight area classifications in which to group the population on the basis of a range of social and economic factors. The area classifications, known as 'supergroups' are:

- ▶ Cosmopolitans
- ▶ Ethnicity Central
- ▶ Hard-Pressed Living
- ▶ Multicultural Metropolitans
- ▶ Rural Residents
- ▶ Suburbanites
- ▶ Urbanites
- ▶ County Council

The eighth supergroup developed by the ONS, 'Constrained City Dweller', has not been included in this analysis. This is because the ONS data is collected at ward level, whereas the health and social care data applied to the supergroups exists at local authority level. Local authorities were categorised into supergroups depending on which supergroup applied to the majority of wards within that area.

The 'Constrained City Dweller' was never a majority at ward level and so has not been included in the data. In addition, a number of local authorities for whom there was no applicable supergroup have been classed in a separate category known as 'County Council'.

In addition, those local authorities that did not fall comfortably under the ONS area classifications have been grouped under the heading 'County Council'. The qualities they share are:

- ▶ Above average proportion of people aged 65+
- ▶ Below average unemployment rate
- ▶ Predominantly living in urban areas and living in detached or semi-detached housing
- ▶ Ethnic mix is below UK average, with higher proportion of UK and Irish born residents
- ▶ Individuals are likely to have a level of qualifications in line with the national average

Each supergroup has distinct socio-economic qualities that distinguish it from the rest of the population. Metrics for defining the supergroups include:

- ▶ Urban/rural living
- ▶ Housing
- ▶ Age and family size
- ▶ Educational background
- ▶ Ethnic diversity
- ▶ Employment



# Categorisation of Health and Care Economies (cont'd)

## ONS Supergroup classifications

### Cosmopolitans

Live in densely populated urban areas

More likely to live in flats and communal establishments

High ethnic integration, with below average proportion of persons stating their country of birth as the UK or Ireland

Population of the group is characterised by young adults, with a higher proportion of single adults and households without children

Workers are more likely to be employed in the accommodation, information and communication, and financial related industries

Lower than average proportion of people aged 65+

Lower than average unemployment rate

### Ethnicity central

Predominately located in the denser central areas of London and other inner urban areas across UK

Non-white ethnic groups have a higher representation than the UK average

Residents are more likely to be young adults with slightly higher rates of divorce or separation than the national average

Lower proportion of households having no children or non-dependent children

Residents are more likely to live in flats and more likely to rent

Higher proportion of people use public transport to get to work, with lower car ownership

Below average proportion of people aged 65+

Above average unemployment rate

### Hard-pressed living

Most likely to be found in urban surroundings, predominately in northern England and southern Wales

Less non-white ethnic group representation than elsewhere in the UK

Rates of divorce and separation are above the national average

Households are more likely to have non-dependent children and are more likely to live in semi-detached or terraced properties, and to privately rent

Smaller proportion of people with higher level qualifications

More likely to be employed in the agriculture, mining, manufacturing, energy, wholesale and retail, and transport related industries

Proportion of people aged 65+ matches national average

Above average unemployment rate

### Urbanites

Found in predominantly urban areas across the UK, with greater tendency to be clustered together in parts of southern England

More likely to live in either flats or terraces that are privately rented

Ethnic mix is comparable to the UK average

Households are more likely to speak English or Welsh as their main language than other areas in UK

More likely to be working in the information and communication, financial, public administration and education related sectors

Proportion of people aged 65+ matches national average

Below average unemployment rate

# Categorisation of Health and Care Economies (cont'd)

## Multicultural metropolitans

Concentrated in larger urban conurbations in the transitional areas between urban centres and suburbia

Likely to live in terraced housing that is rented – both private and social

The group has a high ethnic mix, but a below average number of UK and Irish born residents

Residents are likely to be below retirement age

Above average number of families with children who attend school or college

Level of qualifications is just under the national average

More likely to work in the transport and administrative related industries

Below average proportion of people aged 65+

Above average unemployment rate

## Rural residents

Live in rural areas that are less densely populated compared with elsewhere in the country

Tend to live in large detached properties which they own and work in the agriculture, forestry or fishing industries

There is less ethnic integration in these areas and households tend to speak English or Welsh as their main language

Each household is likely to have multiple motor vehicles, and these will be the preferred method of transport to their places of work

Population tends to be older, married and well educated

Above average proportion of the population in these areas provide unpaid care and an above average number of people live in communal establishments (most likely to be retirement homes)

Above average proportion of people aged 65+

Below average unemployment rate

## Suburbanites

Most likely to be located on the outskirts of urban areas

More likely to own their own home, and to live in semi-detached or detached properties

Mixture of those above retirement age and middle-aged parents with school age children

Number of residents who are married or in civil-partnerships is above the national average

Individuals are likely to have higher-level qualifications than the national average

All non-white ethnic groups have a lower representation when compared with the UK

More likely to work in the information and communication, financial, public administration, and education sectors

Slightly above average proportion of people aged 65+

Slightly below average unemployment rate

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# LGA location map

## Local Government Association

Local Government House  
Smith Square  
London SW1P 3HZ

Tel: 020 7664 3131  
Fax: 020 7664 3030  
Email: [info@local.gov.uk](mailto:info@local.gov.uk)  
Website: [www.local.gov.uk](http://www.local.gov.uk)

## Public transport

Local Government House is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are **St James's Park** (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

## Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

## Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at [www.tfl.gov.uk](http://www.tfl.gov.uk)

## Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

## Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at [www.cclondon.com](http://www.cclondon.com)

## Car parks

Abingdon Street Car Park (off Great College Street)

Horseferry Road Car Park  
Horseferry Road/Arneway Street. Visit the website at [www.westminster.gov.uk/parking](http://www.westminster.gov.uk/parking)

